

Douglas A. Ducey  
Governor



Kevin Donnellan  
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ARIZONA DEPARTMENT OF ADMINISTRATION

OFFICE OF THE DIRECTOR

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May 15, 2015

The Honorable Diane Douglas  
Superintendent of Public Instruction  
Arizona Department of Education  
1535 West Jefferson Street  
Phoenix, AZ 85007

The Honorable Diane Douglas:

In response to the **Amended** Project Investment Justification (PIJ) for the “**AELAS SIS Opt In**” project; my staff has reviewed your proposal to add FY2016 Automation Projects Fund (APF), extend the project end date, and migrate more Local Education Agencies (LEAs) to the statewide vendor-hosted Student Information System (SIS).

The original Pre-PIJ implied that the Arizona Education and Learning Accountability System (AELAS) funding is available from the Automation Projects Fund in the amount of \$450.0 thousand for the estimated cost of the project, with an estimated \$21,058.2 thousand in operational costs to be incurred over the five-year life cycle of the project.

The original PIJ implies funding is available from the AELAS FY2015 Automation Projects Fund in the amount of \$800.0 thousand for the total five-year life cycle cost for the project, with an estimated \$23,080.3 thousand in operational costs to be incurred over the five-year life cycle of the project.

The prior amendment to the PIJ on December 23, 2014 implies that of the remaining \$128.9 thousand in FY2014 APF funds not spent to date will be applied to Professional & Outside Services. In FY2015 APF funds, ADE plans to transfer the entire \$172.7 thousand in onetime Operational Professional & Outside Services Cost towards License & Maintenance fees for \$120.0 thousand, Hardware for \$9.3 thousand, and the remaining \$43.4 thousand into Professional & Outside Services.

The current amendment to the PIJ on May 14, 2015 implies funding is available from the AELAS FY2016 Automation Projects Fund in the amounts of \$1,400.0 thousand for the total five-year life cycle cost for the project, with an estimated \$23,201.0 thousand in operational costs to be incurred over the five-year life cycle of the project.

The PIJ was **Approved with Conditions** by the Arizona Strategic Enterprise Technology Office on December 23, 2014, as follows:

1. ADE shall work with ADOA-ASET to help ensure that the contract to be established with the selected vendor provides appropriate levels of protection for the State in regard to cloud-based vendor solutions.
2. Should additional consulting services or software be required to implement the proposed vendor solution, ADE must amend the PIJ to reflect the additional expense and submit it to ADOA-ASET for review and approval prior to further expenditure of funds
3. Given the required independent third-party reviews of project progress, ADE will make the results of the reviews available to ITAC as of the end of each calendar quarter, if requested.
4. ADE shall report information regarding project funding inflows, expenditures and progress to the ITAC at least annually and/or as requested. Project expenditures are not to exceed approved PIJ development costs without further ADOA-ASET and ITAC authorization.
5. ADE shall identify a funding source for development cost beyond FY 2015 and obtain approval from ADOA-ASET, and ITAC if required, before proceeding with the planned expenditure.

The ITAC is scheduled to meet on May 27, 2015 to review this project. Should the ITAC approve the amended project, you may then proceed to secure additional approvals as required from the Joint Legislative Budget Committee, the Office of Strategic Planning and Budgeting, and the State Procurement Office.

Best Wishes,



Michael J. Lettman  
Acting State CIO and Chief Information Security Officer  
Arizona Strategic Enterprise Technology (ASET) Office

The Honorable Diane Douglas

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<i>Project and Investment Justification Name</i>	<i>Date Submitted</i>
AELAS SIS Opt In	August 16, 2013 Pre-PIJ May 23, 2014 PIJ December 23, 2014 – Prior Amended <b>May 14, 2015 – Current Amended</b>

### Project Overview

#### **Problem Description**

As part of the Arizona Education and Learning Accountability System (AELAS) business case, a cost analysis was completed to determine the potential savings and reinvestment opportunity if the Arizona Department of Education (ADE) were to offer a State procured Student Information System (SIS), with reduced statewide pricing to Local Education Agencies (LEAs). Initial analysis of cost data provided by the LEAs revealed a wide range of prices paid for the same product. LEAs often settle for a less than optimal system for their needs, simply because they cannot afford a system that does meet their needs. In addition to the cost and functionality issues, LEAs are required to regularly submit data to ADE to meet various reporting mandates. With the number of SIS solutions in use, and each LEA currently operating in a silo, serious data issues can result, e.g., duplicate students enrolled in multiple LEAs. In virtually all data submissions to ADE, there is data redundancy, which leads to incorrect reporting, incorrect funding, and an expensive and time-consuming exercise to resolve any issue where multiple vendors are involved. If a single SIS solution was being utilized across the State, the huge effort involved in resolving data issues would be substantially reduced.

In support of this goal, ADE completed a Request for Proposal (RFP) for a vendor-hosted Commercial of The Shelf (COTS) SIS solution for use by LEAs across Arizona as part of a Pre-PIJ. A COTS SIS that can be used statewide by very small, small, and medium LEAs would give these LEAs pricing similar to that being offered to very large LEAs. ADE would assume responsibility for managing the service level agreements, implementation planning for onboarding LEAs, and ongoing product support issues, using industry best practices and State-adopted data management standards. A State procured SIS would also provide LEAs that do opt in with a standardized way of reporting data to ADE, thereby providing more consistent reporting with less manual effort and redundancy.

#### **Solution**

ADE has now selected a vendor-hosted COTS SIS and will make this available to LEAs statewide. This selected COTS SIS system can be used statewide by very small, small, medium LEAs to receive pricing similar to that of a very large LEA and that would enable LEAs to potentially recover millions of dollars, which can then be reinvested to hire more teachers, purchase additional software or curriculum materials, or provide better technology in classrooms.

ADE proposes to manage the service-level agreements, implementation planning for onboarding LEAs and ongoing product support issues with the vendor, based upon industry best practices and state-adopted data management standards.

*Vendor selected was Edupoint, product is Synergy – contract award was not completed before start of LEA school year.*

*Delay in award of contract to Edupoint, required the following budget line item adjustments due to impact on LEA purchasing cycles and mid-year implementation concerns:*

*FY14 Forecasted Licensing Fees – shift to FY15.*

*FY14 Professional & Outside services were higher than anticipated due to the need to develop business processes to support new business model (Quote, Invoice Accounts Receivable, Accounts Payable, Sales and Marketing).*

*FY15 Hardware cost is expected to be \$9,268 for additional implementation resources.*

*FY15 Operational cost of \$172,688 was reclassified as following:*

*\$9,268 was reclassified to Hardware to support additional implementation resources.*

*\$120,000 was reclassified to License and Maintenance to support state subsidies for Synergy licenses in FY15, due to delayed contract award.*

*\$43,420 was reclassified into Professional & Outside services (development) due to the need to develop business processes to support new business model (Quote, Invoice Accounts Receivable, Accounts Payable, Sales and Marketing).*

***ADE is extending the Project End Date to 6/30/17 and adding APF FY16 funds of \$1.4 million dollars into the SIS Opt-In project.***

### **Major Deliverables and Outcomes**

Operational costs in the PIJ are inclusive of year over year projected costs, based on the estimated number of LEAs and students expected to opt in per the AELAS business case, and include ADE's cost to provide support and keep the SIS solution functioning, i.e. change management, vendor relationship, training requests, support calls. Deliverables for the project include the following:

1. Successful solicitation for a state SIS
2. Implement hosted solution per the awarded contract
3. Identify and gain commitment from the pilot LEAs who have agreed to participate
4. Estimated twenty-five (25) LEAs on boarded for school year 2015
5. Ongoing receipt of letters of intent from additional LEAs choosing to opt-in
6. Outline of the implementation and roll-out plan for LEAs choosing to opt-in (work in conjunction with awarded vendor)
7. *Established Governance process (Education Transformation Steering Committee)*
8. *Business Process Creation (IGSA, Quote, Invoice, A/R, A/P)*
9. *Complete Training for ADE Support, Training & Implementation staff*

10. *Implement Customer Relationship Management (CRM) system for Quote to Cash process.*

*ADE is planning for up to 180 more LEAs to Opt-In into the Edupoint Statewide SIS system.*

### **Benefits**

The AELAS business case provided a very clear example of the level of savings associated with applying economies of scale to the offering of a State procured COTS SIS. Each of the 600+ LEAs in Arizona currently has their own SIS, with most of the 445 smallest LEAs having to pay a vendor's minimum cost that is much higher than what the per-student cost would be based on enrollment. Small LEAs (below 600 students) currently spend millions collectively on licensing and maintenance for their SIS. Centralizing the purchase of licenses, maintenance, and the implementation process statewide, will allow ADE to negotiate a lower price point, resulting in a substantially reduced annual cost to the LEAs, allowing them to potentially recover millions of dollars that can then be reinvested to hire more teachers, purchase additional software or curriculum materials, or provide better technology in classrooms. An ADE supported solution is expected to significantly reduce the effort required by the LEAs to manage the vendor relationship, and to maintain and operate their SIS solution. A common SIS would reduce the number of software applications statewide that are disparate and disconnected, and allow timely application of software updates and patches, an improved ability to manage notification outages, and reduced downtime. If all Arizona LEAs were to use the same SIS, data issues would be reduced, and technical architecture, data governance practices and State reporting could be standardized, allowing ADE to move toward a more robust system of data collection, reporting and analysis. LEAs would have a better ability to provide accurate and complete information to parents, students and teachers.

### **Project Management**

ADE contracted resources will manage the project, work with the selected vendor to implement the hosted solution, provide business analysis, architectural support, marketing outreach, implementation and operational support for LEAs. ADE will also manage the legal agreements needed to ensure compliance with federal law and requirements between ADE and LEAs.

### **Enterprise Architecture**

Compliant.

Summary of Proposed Costs

Summary of Pre-PIJ Estimated Costs

<i>Cost Description</i>	<i>2014</i>	<i>2015</i>	<i>2016</i>	<i>2017</i>	<i>2018</i>	<i>Total</i>
Assessment Costs	253.6	0.0	0.0	0.0	0.0	253.6
Development Costs	196.4	0.0	0.0	0.0	0.0	196.4
Operational Costs	0.0	2,027.7	3,429.4	6,111.5	9,489.6	21,058.2
Total Project Costs	450.0	2,027.7	3,429.4	6,111.5	9,489.6	21,508.1

Summary of PIJ Estimated Costs

<i>Cost Description</i>	<i>2014/15</i>	<i>2016</i>	<i>2017</i>	<i>2018</i>	<i>2019</i>	<i>Total</i>
Development Costs	1,077.3	760.9	605.6	525.9	266.4	3,236.1
Operational Costs	618.8	2,541.1	4,068.3	5,609.7	7,006.0	19,843.9
Total Project Costs	1,696.1	3,302.0	4,673.9	6,135.6	7,272.4	23,080.0

Prior Amended PIJ Estimated Costs on 12/23/14

<i>Cost Description</i>	<i>2014/15</i>	<i>2016</i>	<i>2017</i>	<i>2018</i>	<i>2019</i>	<i>Total</i>
Development Costs	1,250.0	760.9	605.6	525.9	266.4	3,408.8
Operational Costs	446.1	2,541.1	4,068.3	5,609.7	7,006.0	19,671.2
Total Project Costs	1,696.1	3,302.0	4,673.9	6,135.6	7,272.4	23,080.0

Current Amended PIJ Estimated Costs on 5/14/15

<i>Cost Description</i>	<i>2014/15</i>	<i>2016</i>	<i>2017</i>	<i>2018</i>	<i>2019</i>	<i>Total</i>
Development Costs	1,250.0	1,400.0	605.6	525.9	266.4	4,047.9
Operational Costs	446.1	2,023.0	4,068.3	5,609.7	7,006.0	19,153.1
Total Project Costs	1,696.1	3,423.0	4,673.9	6,135.6	7,272.4	23,201.0

Recommendation: Approval with Conditions

**Conditions (if applicable):**

1. ADE shall work with ADOA-ASET to help ensure that the contract to be established with the selected vendor provides appropriate levels of protection for the State in regard to cloud-based vendor solutions.
2. Should additional consulting services or software be required to implement the proposed vendor solution, ADE must amend the PIJ to reflect the additional expense and submit it to ADOA-ASET for review and approval prior to further expenditure of funds

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