

'No urgency and no leadership'

Leaders squandered computer upgrades at Employment Department

By MIKE ROGOWAY
and HILLARY BORRUD
The Oregonian

The meltdown at Oregon's Employment Department that left tens of thousands of jobless Oregonians stranded for weeks or even months during the pandemic was, at its heart, a failure by state leaders and a dysfunctional agency to correct a computer problem they knew of for a decade, an analysis by *The Oregonian* shows.

They had federal funding and the time to fix their antiquated system but failed to heed repeated warnings to act. The consequences for many Oregonians have been wrenching.

Megan Wilber-Fuchs has been out of work since April, when her old employer laid her off and a new job she had lined up evaporated as businesses pared back in the early days of the pandemic.

The 38-year-old account manager promptly filed for jobless benefits and found herself in the same predicament as tens of thousands of newly out-of-work Oregonians. Wilber-Fuchs' checks didn't show up, the employment department's phone lines were jammed so she couldn't find out why, and her savings were running out.

The northeast Portland resident and her husband, who have a toddler and are expecting another child in November, had to ask for extra time to pay their rent and are otherwise struggling to get by.

The fundamental cause was the department's decade-long failure to upgrade its obsolete computer system, built on technology from the 1990s. Agency leaders and top state officials have known since at least 2012 that the computers were in desperate need of replacement, and since 2009 has been sitting on more than \$80 million in federal money to pay for one.

State auditors warned for years that the computers were a disaster waiting to happen — rigid and inflexible, the system was ill-prepared to handle an uptick in claims let alone the deluge that came with the coronavirus pandemic. In 2013, the agency's director told lawmakers Oregon was just one of just two states that had not even started the planning process to replace their "legacy" systems.

Yet Oregon squandered years of opportunities to make a fix as the agency struggled with dysfunction, infighting and a lack of urgency from top state leaders. After governors replaced the department director in 2013 and again in 2016, the agency still proceeded at a glacial pace — setting an eight-year timetable to upgrade the computers starting in 2017.

But even that may prove too ambitious.

Internal department documents and a new report by legislative fiscal analysts show the modernization project veered dangerously off track in the months before the pandemic. With the department now overwhelmed, its ability to carry off the computer upgrade is in doubt.

The computer system failures expose a decade of ineffective leadership under three successive governors. The employment department's last three directors all were fired or forced from their jobs after major setbacks at the agency.

The lapses suggest a tendency for one of the state's largest and most important safety net programs to fall off Oregon leaders' radar — until it's too late. It also illustrates how difficult it is for Oregon agencies to adopt new technologies, even when the consequences of not acting will be severe.

In Oregon's Silicon Forest, "We have these tech megastars and yet our government system is using antiquated software or infrastructure from the '90s? That's the part that really makes



State Sen. Betsy Johnson, D-Scappoose, spent years on budget committees overseeing the Employment Department's budget.

Dave Killen/The Oregonian

me very frustrated," Wilber-Fuchs said.

Uniquely bad

Oregon leaders and lawmakers have the agency's failures top-of-mind now that they are feeling the heat. Thousands of Oregonians in dire circumstances have called lawmakers to complain and ask for help sorting out their claims.

"We have had everything from people needing liver transplants, to they need a new transmission to the vehicle, they're bankrupt and had their cars repossessed because they can't make payments, and on and on and on," said state Rep. Brad Witt, a Democrat from Clatskanie. "It is unbelievable."

Witt, who served on a budget committee overseeing the employment department from 2009 to 2012, is lining up bipartisan support to ask Secretary of State Bev Clarno to launch an audit.

middle of March. Even now, with the pandemic well into its fifth month, the number frequently tops 8,000 a week — nearly twice the average before the pandemic.

Nearly every state has a large backlog of claims. Oregon's problems, though, are among the very worst.

That's because its computer systems are woefully outdated, built on technology from 1993 using the antiquated programming language COBOL. Some components date to the Reagan administration.

That left Oregon struggling in the midst of a pandemic to adapt its system to major changes in the unemployment claims process, including the huge expansion of benefits Congress approved in March to pay self-employed people who are out of work.

Even ordinary claims present a big challenge because the system routinely issues erroneous rejections.

Oregon still hasn't. As simple as the change sounds, the state's computers can't handle it. As a result, Oregon can't deliver several hundred million dollars in federal funds to the state's unemployed workers.

The state estimates fixing the blockade would require 4,000 hours of computer programming — and perhaps a great deal more. It's a task so huge that Oregon postponed even trying to pull it off until August, waiting until it had regular jobless claims under control.

If the state can't qualify its unemployed workers for immediate benefits by the end of the year it risks forfeiting the federal money altogether. It's not clear how much that is, but it could easily top \$300 million.

Oregon says it's not aware of any other state that has failed to get that first-week money for its workers.

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As *The Oregonian* documented in 2013, 2016 and again in April, the employment department was beset for years by infighting, accusations of nepotism, internal dysfunction and what one state report characterized as "bullying" behavior by employees.

The department also suffered a succession of technological failures, including a 2014 hack that exposed the personal information of more than 850,000 Oregonians.

Legislative documents and hearings reviewed by *The Oregonian* show that leaders in the department — which reports directly to the governor — did not tell lawmakers Oregon needed to replace its core technology until 2013. The agency originally planned to use the more than \$80 million in federal money instead to pay unemployment benefits.

"We are the only two states right now that are running legacy systems and haven't developed a plan for this modernization," then-director Laurie Warner told lawmakers in April 2013. Still, despite what



Oregon received federal funding to replace its jobless benefits computer system in 2009, near the end of Gov. Ted Kulongoski's tenure. Gov. John Kitzhaber, center, first proposed launching the overhaul in 2014. The project finally began after Gov. Kate Brown, right, took office.

Warner described as a drive by the U.S. Department of Labor for states to adopt new systems to cut down on errors and reduce administration costs, she didn't ask lawmakers for approval to start down that road. Instead, then-Gov. John Kitzhaber's budget proposal called for smaller information technology projects, including a program to help job seekers find work.

The computer modernization project began in earnest in 2017, according to state records, with the department ultimately targeting 2025 to have it complete. Recent reports, though, show that even with the federal funds in hand, it isn't going well.

The state still hasn't picked a new software vendor and four key personnel left in recent months, including a project manager and the modernization program director, who quit in July.

"It is an unprecedented time for the agency, with incredible attention being brought to bear on every division," modernization director Ethan Benatan wrote in an email to his team notifying them of his exit. "Modernization is second only to (unemployment insurance) in the amount of scrutiny we are under. New leadership will provide an opportunity to reset and restart in a way that nothing else can do."

A February project update attributed earlier turnover with the project to "burnout or stressful conditions."

That report found several other problems with choosing a vendor and managing the project's budget. It shifted the project's health rating from yellow to red, indicating "Unacceptable variances or issues or 'high' rated risks that are not being appropriately managed."

A subsequent July report from the Legislative Fiscal Office documented a litany of department failures over the past decade and concluded the computer upgrade remains in woeful shape.

"The Employment Department has not yet had the necessary combination of organizational stability and sustained

professional and technical capacity needed to ensure project success," that report concluded.

None of that was evident in a rosy update the agency's then-Director Kay Erickson delivered to the Legislature in January, in which she claimed the project was progressing "within expected parameters."

Preparing the system for the next economic bust never seemed to be a priority for Oregon's governors and lawmakers, as they focused on high-profile initiatives such as green energy, expanding Medicaid and passing a new business tax to boost public education spending.

Sen. Betsy Johnson, D-Scappoose, sits on the powerful Ways and Means committee and another committee that oversees information technology in state agencies. Johnson also served on the transportation and economic development budget subcommittee overseeing the employment department from 2009 through 2019.

Like other lawmakers, she has been inundated by calls from constituents who have waited months for benefits. She said the department's failures stem from a lack of direction and accountability.

"For me, all trails lead to the same place: no urgency and no leadership," Johnson said.

State Treasurer Tobias Read, who as a state representative served on the transportation and economic development budget subcommittee from 2013 to 2015, said lawmakers were reluctant to authorize big-ticket projects due to their distrust of leaders at the troubled agency.

"Ultimately, I think it's management's troubles at the employment department that really got in the way of securing the trust that was necessary to make those upgrades," Read said. "Oregonians are all paying the price for that now." Read said one of his takeaways is that Oregon needs to prioritize important infrastructure replacement projects, even when the systems' problems aren't getting public attention.

AGENCY LEADERS AND TOP STATE OFFICIALS HAVE KNOWN SINCE AT LEAST 2012 THAT THE COMPUTERS WERE IN DESPERATE NEED OF REPLACEMENT, AND SINCE 2009 HAS BEEN SITTING ON MORE THAN \$80 MILLION IN FEDERAL MONEY TO PAY FOR ONE.

Oregon's failures were entirely predictable. In fact, the state said so repeatedly, with audits in 2012 and 2015 warning the employment department's obsolete system could not handle a surge of claims, nor make the quick adjustments necessary to implement new federal programs. Both problems became clear during the Great Recession.

Oregon, like nearly every other state, was utterly overwhelmed by the flood of jobless claims that poured in during March as the pandemic set in. Gov. Kate Brown shut down much of the economy to contain the outbreak and new jobless claims soared from just a few thousand a week to as many as 89,000.

The state has fielded more than 600,000 claims since the

In times of low unemployment, it's relatively simple for the department to manually override those mistakes. During the pandemic, though, the whole process went off the rails.

Computers can rapidly scale up to handle additional tasks, but people cannot. So Oregon quickly fell weeks, then months behind — leaving tens of thousands of the newly jobless without income while they waited.

Other states are stumbling technologically, too. But Oregon's crisis may be unique in one key way.

In March, Congress allocated money for states to waive the usual one-week delay before newly unemployed workers are eligible for benefits. Most states moved quickly to make the change.

Four months later, though,

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