

Payroll and Accounting System Replacement Analysis**FY2003 Request:****\$600,000****Reference No:****35790****AP/AL:** Appropriation**Project Type:** Planning**Category:** General Government**Location:** Statewide**Contact:** Dan Spencer**House District:** Statewide (HD 1-40)**Contact Phone:** (907)465-5655**Estimated Project Dates:** 07/01/2002 - 06/30/2004**Brief Summary and Statement of Need:**

Funding will be used to hire a consultant to provide replacement analysis and planning for the statewide accounting and payroll systems (AKSAS & AKPAY) currently managed by the Division of Finance. The level of funding included in this request is an estimate and may not provide for a complete analysis.

Funding:	FY2003	FY2004	FY2005	FY2006	FY2007	FY2008	Total
Gen Fund	\$600,000						\$600,000
Total:	\$600,000	\$0	\$0	\$0	\$0	\$0	\$600,000

<input type="checkbox"/> State Match Required	<input checked="" type="checkbox"/> One-Time Project	<input type="checkbox"/> Phased - new	<input type="checkbox"/> Phased - underway	<input type="checkbox"/> On-Going
0% = Minimum State Match % Required		<input type="checkbox"/> Amendment	<input type="checkbox"/> Mental Health Bill	

Operating & Maintenance Costs:

	<u>Amount</u>	<u>Staff</u>
Project Development:	0	0
Ongoing Operating:	0	0
One-Time Startup:	0	
Totals:	0	0

Additional Information / Prior Funding History:

This project has received no prior year funding.

Project Description/Justification:

Replacement analysis for statewide payroll and accounting systems was approved by TIC/TAC during the FY 2002 budget review process based on the attached submission. The FY 2003 request increases the amount from \$400.0 to \$600.0 for several reasons:

- The magnitude of the planning process has become clearer. The experience of other states undergoing similar technology upgrades for enterprise systems shows that insufficient analysis at the planning stage can cause very expensive failure at the implementation stage.
- Timing is becoming more critical. The later we start, the faster we have to accomplish the replacement analysis as we approach the inevitable failure of our existing stovepipe systems. Doing it faster costs more.
- The FY 2003 request includes funding for contractual support of our existing payroll system to free existing staff so they can contribute to the replacement analysis. This leverages the current knowledge of staff while bringing them up the learning curve on best practices and new technology.

The purpose of the project is to assess the remaining life of our existing statewide systems and produce a written analysis of the statewide requirements for replacing them. The analysis will provide information to decision-makers about possible replacement options and their costs and benefits. It will also assist state personnel with evaluating the fit/gaps between the statewide requirements and the possible replacement options.

Funding will provide for consulting and analysis services as well as system support.

Eventual replacement cost of these systems is an unknown until this replacement analysis is complete. The experience of other states is that enterprise system technology implementation costs between \$20 million and \$250 million. When contemplating out-year cost implications of this size, careful planning is critical.

Both AKPAY and AKSAS are in the mature life cycle stage. They have functioned for 11 and 16 years, respectively. As technology continues to move forward, they become less efficient and effective. Eventually the mainframe and database environment they require may no longer be viable. We have already been notified by our payroll software vendor that they will no longer support ADABAS database software after 2002.

Replacing these systems is an eventuality. Because the stakes are so high, replacement decisions need to be made rationally with adequate information. Without outside consulting support, our ability to make these decisions is severely curtailed.