

Statewide Administrative Systems Replacement Final Phase

FY2012 Request: \$47,379,818
Reference No: AMD 40081

AP/AL: Appropriation

Project Type: Information Technology / Systems / Communication

Category: General Government

Location: Statewide

House District: Statewide (HD 1-40)

Impact House District: Statewide (HD 1-40)

Contact: Cheryl Lowenstein

Estimated Project Dates: 07/01/2011 - 06/30/2016 **Contact Phone:** (907)465-5655

Brief Summary and Statement of Need:

This is a new FY2012 capital request. The statewide accounting system (AKSAS) is 26 years old, and the payroll system (AKPAY) is 21 years old. Replacing them with current technology is becoming urgent as they are now clearly at the end of their useful life cycle. This is the final phase of funding for the replacement of the statewide accounting system and implementation of a comprehensive administrative system with financial, procurement, human resources, and payroll functionality.

Funding:	FY2012	FY2013	FY2014	FY2015	FY2016	FY2017	Total
Gen Fund	\$47,379,818						\$47,379,818
Total:	\$47,379,818	\$0	\$0	\$0	\$0	\$0	\$47,379,818

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

Operating & Maintenance Costs:

	<u>Amount</u>	<u>Staff</u>
Project Development:	0	0
Ongoing Operating:	1,200,000	0
One-Time Startup:	0	
Totals:	1,200,000	0

Additional Information / Prior Funding History:

Ch 11, SLA08, Sec 10, P57, L15 - \$41,000.0 fund source change from Master Lease Line of Credit to UGF

Ch 30, SLA 07, Sec 4, P84, L7 - \$41,000.0 - replacement, phase 2

Ch 82, SLA 06, Sec 24(c), P147, L6 - \$20,000.0 fund source change from Master Lease Line

Ch 3, SLA 05, Sec 1, P2, L28 - \$20,000.0 - replacement, phase 1

Ch 82, SLA 03, Sec 1, P2, L24 - \$300.0 (payroll and accounting systems replacement analysis)

Ch 1, SLA 02, Sec 1, P2, L30 - \$600.0 (payroll and accounting systems replacement analysis)

Project Description/Justification:

The statewide accounting system (AKSAS) is 26 years old, and the payroll system (AKPAY) is 21 years old. Replacing them with current technology is becoming urgent as they are now clearly at the end of their useful life cycle. Their viability is threatened by the outdated nature of their architecture and programming languages in which they are written.

The effort to replace these enterprise systems began immediately after the Y2K remediation effort was completed in 2000. In FY2003, \$600.0 was appropriated in the capital budget to analyze the statewide accounting and payroll systems and develop a replacement strategy. These funds produced a business case that supported a \$20 million appropriation in FY2006 to implement the Alaska Statewide System for Employee Time (ASSET). ASSET is a web-based system to collect

information for payroll processing and apply business rules for consistent pay calculations. It will interface with AKPAY and the system that eventually replaces it. The FY2006 funding from this appropriation was used to convert the historical information in AKSAS and AKPAY to the Alaska Data Enterprise Reporting system (ALDER). This conversion, which was completed in 2010, will greatly simplify the decommissioning of these legacy systems when they are replaced.

The business case for administrative systems replacement was updated in 2007, and \$41 million was appropriated for this purpose in FY2008. The Department of Administration is in the process of this procurement using the "best value" method developed at Arizona State University. Proposals were received in October, and the contract is scheduled for award in May. The results are confidential until the award, but it is clear that more money will be necessary to implement the proposed solution.

On the positive side, the economy and other factors have combined to drive the total projected cost to implement an integrated administrative system far below the cost projected in the 2007 business case. However more funding will be necessary as reflected in the following cost projection. Consequently, the department is requesting \$47.3 million to secure the necessary funding for the full implementation. Four years of software maintenance costs averaging \$1.2 million annually are included in this amount which covers the planned duration of the project. After that, software maintenance must be considered in the annual operating budget.

This is a substantial investment, but it is in line with that made by other states in replacing legacy administrative systems with integrated software solutions. While it is difficult to determine their internal costs, we know the amounts spent on software, hardware, and implementation services in the following states:

- Kansas \$34.3 million for financial and procurement only
- Louisiana \$53.7 million for financials and procurement only
- Kentucky \$26 million for human resources and payroll only
- Arkansas \$36.5 million for comprehensive system (completed this effort 10 years ago, in 2001)
- Tennessee = \$74.8 million for comprehensive system (completed approximately 3 years ago)
- Pennsylvania = \$162.6 million for comprehensive system (completed approximately 8 years ago)

The State of Alaska is anticipating a total budget of \$85.5 million, which includes \$24.4 million in internal costs, to implement a comprehensive administrative system with financial, procurement, human resources, and payroll functionality. As shown on the cost projection, \$47.3 million additional funding is required to complete the financing of this investment in the State's future. Work is poised to begin July 1, 2011, and implementation will be completed within six years from that date.

AKSAS and AKPAY must be replaced for the State to continue operating. Functioning administrative systems are essential infrastructure for the State to deliver services across all its diverse missions.