

**Statewide System Replacement**

**FY2010 Request: \$76,500,000**

**Reference No: AMD 47048**

**AP/AL:** Appropriation  
**Category:** General Government  
**Location:** Statewide  
**House District:** Statewide (HD 1-40)  
**Estimated Project Dates:** 07/01/2009 - 06/30/2012

**Project Type:** Information Systems  
**Contact:** Eric Swanson  
**Contact Phone:** (907)465-5655

**Brief Summary and Statement of Need:**

This amendment changes the funding from \$50,000.0 AHCC Receipts to \$76,500.0 Master Lease Line of Credit (MLOC) and funds 3 years of the project (\$500.0 for estimated financing costs). Additional funding is needed to continue with the massive undertaking of replacing AKSAS and AKPAY. The accounting and payroll systems are nearing the end of their useful lives and need to be replaced while they are still functioning.

<b>Funding:</b>	<b>FY2010</b>	<b>FY2011</b>	<b>FY2012</b>	<b>FY2013</b>	<b>FY2014</b>	<b>FY2015</b>	<b>Total</b>
Gen Fund				\$23,000,000	\$34,000,000	\$29,500,000	\$86,500,000
Master LOC	\$76,500,000						\$76,500,000
<b>Total:</b>	<b>\$76,500,000</b>	<b>\$0</b>	<b>\$0</b>	<b>\$23,000,000</b>	<b>\$34,000,000</b>	<b>\$29,500,000</b>	<b>\$163,000,000</b>

<input type="checkbox"/> State Match Required	<input 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 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:	0	0
One-Time Startup:	0	0
<b>Totals:</b>	<b>0</b>	<b>0</b>

**Additional Information / Prior Funding History:**

\$41,000,000 has previously been appropriated for this project. The first debt payment of \$2.28 million will be in FY 2011, and then have an annual funding need of \$13.3 million from FY 2012-18.

**Project Description/Justification:**

Administrative Systems Replacement CIP Request

The Department is requesting \$76,000,000 to continue progress on a goal essential to overall State operations: replacing legacy administrative systems, primarily the statewide accounting system (AKSAS) and payroll system (AKPAY). The continued operation of these systems is threatened by their age and the software languages in which they are written. The risk of failure is real, and the impact would be felt in every State program. Beyond this fact are the inefficiencies inherent in these stand-alone systems. Implementing enhancements and mandated changes requires significantly more time, using personnel with increasingly hard-to-find skills, than systems based on current technology. Manual reconciliations are required to ensure financial activity stays in sync, and multiple records must be maintained for employees in order to pay them from each system. Between 15% and 20% of the vendor records maintained in AKSAS are redundant to employee records in AKPAY.

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Obviously this is a massive and expensive endeavor, but progress is being made. The attached "History of Administrative Systems Replacement Projects as of February 2009" lists the milestones in this effort to date. Financial information has been converted to the ALDER data warehouse reporting system. Contracts are in place for procurement support and for quality assurance as the replacement projects proceed. We have learned painful lessons about the challenges of using traditional State procurement processes to successfully contract for information technology solutions that have far-reaching effects on our business processes. We are using this experience with an alternate procurement process in a second attempt to contract for a Time and Attendance solution, which we will begin implementing during FY 2009.

During FY 2010, we plan to again leverage these lessons to procure replacements for AKSAS and AKPAY. We anticipate this to be the largest and most complex procurement of information technology and related services in the State's history. An appropriation for the project is necessary for the vendor community to take seriously the State's commitment to this very large procurement and subsequent implementation effort. The attached spreadsheet shows the implementation and operating costs of the total system replacement effort per the Statewide Administrative Systems Replacement Business Case April 2007 Update.

The department is requesting \$76 million for FY 2010 to bring the total appropriated up to \$117 million.

Amount previously appropriated (AR 7697-12)	\$41,000,000
Requested in FY 2010	<u>76,000,000</u>
Total requested to support procurement	<u>\$117,000,000</u>

This amount covers the first year implementation costs (\$75,990,146), the second year (\$22,111,666) and most of the third year (\$22,898,967). The department would request additional funds for FY 2013 and subsequent years to complete the implementation of the financial and HR/payroll modules of the replacement system(s).

Timeline assumptions from business case:

Procurement (RFI/LCP): December 2009 – March 2011 (15 months)

Implement financial, budget, procurement: April 2011 - December 2014 (45 months)

Implement HR/payroll: January 2015 – June 2016 (18 months)

#### History of Administrative Systems Replacement Projects

Date	Activity
July 1, 2002	\$600.0 appropriation to develop business case for replacement of statewide administrative systems (AR 7601-07).
July 1, 2002	Issued RFP 2003-0200-3511 to obtain consulting services beginning with the business case, with the option to extend through the life of the replacement implementation projects for project management/quality assurance consulting services.
October 11, 2002	Signed contract with Maximus, Inc. for consulting services.

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Date	Activity
July 1, 2003	\$300.0 appropriation to develop RFPs for system replacement (AR 7627-06).
September 2003	Completed business case which recommended selecting replacement solution(s) for all administrative systems, considering best-fit options for each. Also, create a data warehouse to make reporting independent from selected processing solution(s). Presented business case to Jim Clark and Cheryl Frasca. Decision: Put on hold pending more pressing administrative issues (HR integration, labor contract negotiations, IT plan implementation).
September 2003 – August 2004	Market research, vendor meetings, vendor product demonstrations.
July 1, 2005	\$20,000.0 capital appropriation for HR/payroll replacement and data warehouse funded by debt service (AR 7660-06). ABS FY 2006 capital project description stated: "The nature and cost of each of these two initiatives (HR/payroll and the data warehouse) cannot be known with any certainty until the state can get to a 'meeting of the minds' with potential vendors."
August 2005	Begin procurement process for: <ul style="list-style-type: none"> <li>• HR-Payroll Systems Replacement Solution</li> <li>• Data Warehouse – HR, payroll, and accounting information</li> </ul>
December 15, 2005	Issued RFP 2006-0200-5914 for HR-Payroll Systems Replacement Solution.
December 22, 2005	Issued RFP 2006-0200-5915 for Data Warehouse.
June 9, 2006	Signed a contract with CGI-AMS, Inc. for ALDER Data Warehouse reporting system.
June 29, 2006	Issued notice of intent to award a contract for the HR-Payroll Systems Replacement procurement.
July 1, 2006	Funding source changed from debt service to general fund on \$20,000.0 capital appropriation (AR 7682-10).
August 30, 2006	Cancelled procurement for HR-Payroll Systems Replacement Solution. Division of Finance determined there are insufficient funds available for this project and awarding a contract at this time is not in the best interests of the State.
September – November 2006	Discuss and determine a strategy to move forward on HR-Payroll Systems Replacement with the funding available. Internal decisions: 1) Proceed with Project Charter creation for a Time and Attendance enterprise solution. This project will be funded with available funds from AR 7682-10 HR-Payroll Systems Replacement. Seek approval for project from new administration. 2) Update the Systems Replacement Business Case in order to present the problem and alternatives to the new administration so a strategy for moving forward can be determined.

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Date	Activity
February 7, 2007	Commissioner Kreitzer approved Project Charter for Time and Attendance procurement.
April 24, 2007	Presented updated business case to Commissioner Kreitzer
July 1, 2007	\$41,000.0 capital appropriation for Statewide Administrative Systems Replacement – Phase 2, Financials and Procurement funded by debt service (AR 7697-12).
November 4, 2007	Cancelled contract with Maximus for procurement support and quality assurance. The contract started October 11, 2002 and was scheduled to end by June 30, 2008. Total spent under this contract: \$2,463,049.
December 2007	State staff in the Division of Finance undertook RFP for Time and Attendance without contractor assistance.
January 4, 2008	Issued RFP 2008-0200-7209 to support future procurements and perform quality assurance on these projects beginning with implementation of Time and Attendance in fall 2008.
January 28, 2008	Presented updated business case to Mike Tibbles and Karen Rehfeld.
April 10, 2008	Issued RFP 2009-0200-7480 for Time and Attendance solution.
April 13, 2008	Funding source changed from debt service to general fund on \$41,000.0 capital appropriation (AR 7697-12).
August 6, 2008	Signed a contract with Pacific Technologies, Inc. (PTI) for support on future procurements.
August 28, 2008	Cancelled RFP for Time and Attendance solution due to lack of responsive bidders.
September 18, 2008	Received approval for alternate procurement to allow a limited competition solicitation under AS 36.30.305 for Time and Attendance solution.
October 20, 2008	Commissioner Kreitzer approved Project Charter for the new limited competition procurement of Time and Attendance solution.
November 1, 2008	Completed ALDER Increment I for financial reporting.
November 14, 2008	Signed contract with Wostmann and Associates for quality assurance on system replacement projects beginning with Time and Attendance solution.
February 2009	Limited competition procurement ongoing for Time and Attendance solution.

Current estimates are that 18% to 22% of the purchase price of the software acquired for the new systems will be needed annually for ongoing licensing fees. This will have a significant impact to the Division of Finance operating budget once the new systems are operational.