

**IT Project Proposal Report - Detail**  
**Agency: 065 - DEPT OF ADMINISTRATIVE SERVICES**  
**Budget Cycle: 2017-2019 Biennium**                      **Version: AF - AGENCY FINAL REQUEST**

**IT Project : Enterprise Resource Management Consolidation**

**General Section**

<b>Contact Name :</b> Byron Diamond	<b>E-mail :</b> Byron.Diamond@nebraska.gov	<b>Agency Priority :</b> 1
<b>Address :</b> 1526 K Street Suite 250	<b>Telephone :</b> 402-471-2331	<b>NITC Priority :</b>
<b>City :</b> Lincoln		<b>NITC Score :</b>
<b>State :</b> Nebraska	<b>Zip :</b> 68508	

**Expenditures**

IT Project Costs	Total	Prior Exp	FY16 Appr/Reappr	FY18 Request	FY19 Request	Future Add
<b>Contractual Services</b>						
Design	0	0	0	0	0	0
Programming	0	0	0	0	0	0
Project Management	0	0	0	0	0	0
Data Conversion	0	0	0	0	0	0
Other	14,900,000	0	0	6,620,000	8,280,000	0
<b>Subtotal Contractual Services</b>	<b>14,900,000</b>	<b>0</b>	<b>0</b>	<b>6,620,000</b>	<b>8,280,000</b>	<b>0</b>
<b>Telecommunications</b>						
Data	0	0	0	0	0	0
Video	0	0	0	0	0	0
Voice	0	0	0	0	0	0
Wireless	0	0	0	0	0	0
<b>Subtotal Telecommunications</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Training</b>						
Technical Staff	0	0	0	0	0	0
End-user Staff	0	0	0	0	0	0
<b>Subtotal Training</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

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**Expenditures**

<b>IT Project Costs</b>	<b>Total</b>	<b>Prior Exp</b>	<b>FY16 Appr/Reappr</b>	<b>FY18 Request</b>	<b>FY19 Request</b>	<b>Future Add</b>
<b>Other Operating Costs</b>						
Personnel Cost	0	0	0	0	0	0
Supplies & Materials	0	0	0	0	0	0
Travel	0	0	0	0	0	0
Other	2,858,000	0	0	561,000	2,297,000	0
<b>Subtotal Other Operating Costs</b>	<b>2,858,000</b>	<b>0</b>	<b>0</b>	<b>561,000</b>	<b>2,297,000</b>	<b>0</b>
<b>Capital Expenditures</b>						
Hardware	0	0	0	0	0	0
Software	0	0	0	0	0	0
Network	0	0	0	0	0	0
Other	0	0	0	0	0	0
<b>Subtotal Capital Expenditures</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>TOTAL PROJECT COST</b>	<b>17,758,000</b>	<b>0</b>	<b>0</b>	<b>7,181,000</b>	<b>10,577,000</b>	<b>0</b>

**Funding**

<b>Fund Type</b>	<b>Total</b>	<b>Prior Exp</b>	<b>FY16 Appr/Reappr</b>	<b>FY18 Request</b>	<b>FY19 Request</b>	<b>Future Add</b>
General Fund	17,758,000	0	0	7,181,000	10,577,000	0
Cash Fund	0	0	0	0	0	0
Federal Fund	0	0	0	0	0	0
Revolving Fund	0	0	0	0	0	0
Other Fund	0	0	0	0	0	0
<b>TOTAL FUNDING</b>	<b>17,758,000</b>	<b>0</b>	<b>0</b>	<b>7,181,000</b>	<b>10,577,000</b>	<b>0</b>
<b>VARIANCE</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

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**IT Project: Enterprise Resource Management Consolidation**

**EXECUTIVE SUMMARY:**

Migrate five current disparate IT systems individually supporting human resource and benefit management, employee recruiting and development, payroll and financial functions, and budget planning to a cloud-based single enterprise platform. The migration will include implementation of two new modules: E-Procurement and Budget Planning. The end state would be the realization of operational, process, and expense synergies by moving to a single enterprise platform at the end of this migration.

Various options and alternatives were analysed to determine the best way to leverage technology to improve the business processes and reduce the overhead costs for the State of Nebraska's enterprise HRM/ERP system. The approach described herein allows us to meet our operational objectives of continuously improving efficiency and processes, reducing costs, and capitalizing on technology.

**GOALS, OBJECTIVES, AND OUTCOMES (15 PTS):**

This project is supported by the HRM and ERP IT Solution Guiding Principles, Executive Governance, Holistic and Integrated Functionality, Maximum Security and Data Integrity Capabilities, and Flexible and Efficient Operational Support ensuring the most efficient and effective enterprise IT solutions are implemented.

**HRM and ERP IT Solution Guiding Principles:**

- **Executive Governance** – Business decisions regarding operational processes as well as underlying IT solutions supporting those business processes are agreed upon by an Executive Leadership team (e.g. Director of DAS, OCIO, CHRO, and State Budget Officer), then planned, budgeted, and implemented. These governance decisions would include strategy and performance objectives, enterprise-wide operating practices, and IT architecture standards & practices.
- **Holistic and Integrated Functionality** – HRM and ERP IT solution decisions driven by support of broad cross-functional requirements (e.g. HR needs plus financial integration requirements plus State Security requirements, etc.) vs single functional needs (e.g. HR needs only). Additionally, preference is given to solutions that competently address more functional areas (e.g. core HR, recruiting, on/off-boarding, benefits, time & labor, payroll, performance, compensation, learning, workforce administration, succession planning, reporting and analytics) than solutions that address fewer functional areas. An integrated system would also provide more precise HR management metrics that would assist in identification and optimization of the workforce.
- **Maximum Security and Data Integrity Capabilities** – HRM, ERP, and eProcurement IT solution decisions aligned with internal and best practice security capabilities to ensure the State's data remains as secure as possible and as accurate as possible. For example, the State's data is not co-mingled with any other entity's data and has multiple levels of application protection as well as multiple levels of physical protection. The cloud solution also will insure almost instantaneous cutover and recovery of the state's enterprise systems as our data will be in production in one 3<sup>rd</sup> party data center but replicated in real-time to three other geographically separated data centers.

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- **Flexible and Efficient Operational Support** –HRM and ERP IT solutions enabling configuration and daily processing flexibility to meet State defined business processes and operating needs. For example, coordinating system upgrade timing within an agreed upon timeframe (vs a requirement to upgrade at a static point in time along with 100s or 1,000s of other customers) to reduce business disruption risk.

Leveraging these Guiding Principles, the State of Nebraska should realize a significant reduction in the total cost of ownership of its technology portfolio while simultaneously experiencing major improvements in functional support of HRM/ERP operations and substantial reduction in IT operational risk and complexity.

Ways the planned technology migration and consolidation will achieve its desired results are:

- The selected cloud-based system will provide a unified, seamlessly integrated HRM, ERP, Budgeting, and eProcurement platform
- Single sign on capability for all state employee's
- Unified reporting and data analytics
- Significant reduction in number of specialized skill IT staff required to support the platform
- Optimization of end-to-end processes
- Dramatic increase in COOP availability, redundancy, and reliability
- Automate the states procurement and contracting processes
- Improvements in the recruiting and on boarding of new employee's
- Enhanced ability to standardize operational procedures for all modules state-wide

**PROJECT JUSTIFICATION / BUSINESS CASE (25 PTS):**

Please see the HRM-ERP Business Case and Justification prepared and submitted to the Governor's office in support of this project which is included within the following files:

**Attachments:**

- Enterprise Resource Management Consolidation-Financial Analysis.xlsx
- Enterprise Resource Management Consolidation-Business Case.docx

**TECHNICAL IMPACT (20 PTS):**

See above-referenced HRM-ERP Business Case and Justification.

Milestones and deliverables will be coordinated with winning contractor upon award and appropriation.

Training and staff development requirement will be included in the overall project plan and scope.

This is a cloud product that will be maintained and supported off premise.

**PRELIMINARY PLAN FOR IMPLEMENTATION (10 PTS):**

The enterprise migration and consolidation of platforms would occur over two phases with Phase I beginning in August 2017 and Phase II starting in August 2018 with all system

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modules coming fully online by no later than November 2019. Phase I would cover the consolidation of all HCM functions onto one platform and Phase II would migrate the current JDE E1 system to a cloud-based platform that would include ERP, eProcurement, and State Budget modules.

See the HRM-ERP Business Case and Justification for further details.

**RISK ASSESSMENT (10 PTS):**

Both the legacy and new systems will be run in dual during migration and up to three months after migration to ensure stability of the new platform.

**FINANCIAL ANALYSIS AND BUDGET (20 PTS):**

Contractual Services – Other: Includes design, programming, project management, data conversion and technical/end-user training.

Other Operating Costs – Other: Subscription fees for all operating software, support, maintenance, and disaster recovery.

## **DAS BUSINESS CASE JUSTIFICATION**

### **Enterprise Resource Management Consolidation**

#### **1. Executive Summary**

The objective of the State of Nebraska is to minimize the number of disparate Human Resource Management (HRM), Enterprise Resource Planning (ERP), Budget, and eProcurement technology platforms which will optimize and support the states operations in the most holistic and integrated framework possible. The end state would be the realization of operational, process, and expense synergies by moving to one enterprise resource management platform at the end of this migration. The Department of Administrative Services is requesting a one-time appropriation of \$14.9M for a cloud-based enterprise system and an additional \$2.3M in recurring annual appropriation to cover the annual enterprise subscription fee for the hosting services.

#### **2. Problem Statement**

The State of Nebraska, with more than 18,000 employees; has currently deployed a total of five disparate IT human resource (HRM), budgeting, and accounting (ERP) systems that provide different functionality – including both third party vendor packages as well as internally developed applications – to enable State HR, payroll, benefits, budgeting, objectives, and related operational processes. HR systems owned and / or deployed by the State include Workday (for core HR records management and benefits), NeoGov (for recruiting), Cornerstone (for employee training and development), a state-built and maintained system called Nebraska Budget Request and Reporting System (NBRRS), and JD Edwards EnterpriseOne (full HR functional support, Payroll, and Time and Labor). In addition to these third party vendor systems the State has purchased, the State has also developed and deployed numerous HR support capabilities internally, including Kronos Time & Labor (four separate instances) for specific Time and Labor scheduling and leave calculation for the agencies that have staff working 24-hour shifts. Additionally, the state is one, of six remaining states; that manually processes contracts and local purchases of commodities and services.

Buying and developing multiple IT solutions to meet the various HR and ERP functional requirements resulted from the State’s historically “point solution” approach – one that allowed individual departments and agencies autonomy to select technology solutions without a holistic State IT strategy or vision being in place.

This approach has led to several challenges for the State:

##### **1. Duplicative HRM technology solutions**

Chosen solutions have some overlapping capabilities. For example, Workday core HR capabilities overlap with JDE EnterpriseOne core HR capabilities. While Workday was acquired to be the “system of record” for all state personnel records, the JD Edwards system, which had originally been the states “system of record” had to be kept active to process all payroll functions – as the Workday payroll functionality was not available upon implementation. This has resulted in the state, for the last six years, to pay for two HRM systems while only partially using both to conduct day-to-day operations.

## **2. Broader staff skill sets, experience to support those solutions**

Each given IT platform solution requires a specific set of skills, expertise, and experience for the State's support staff because these platforms are not built using the same underlying technology. For example, JDE EnterpriseOne, Workday, Cornerstone, NBRRS, and NeoGov each require specific but different skills and expertise to support efficiently and effectively.

## **3. Complex data integrity, integration, and identity management**

Because multiple HRM IT platform solutions are in place, data must be shared across those platforms as well as with other platforms (e.g. Financials, Purchasing) to accomplish various business tasks. For example, core employee data from the Workday solution must be shared with JDE EnterpriseOne for Time and Labor as well as Payroll functions. Because of the five disparate enterprise systems, the state is currently required to maintain over 176 individual data interfaces in order to share data to complete daily business operations. Additionally, users accessing these systems must have an ID and password for each one, currently resulting in users having 5-7 user IDs and passwords to remember. To summarize, in addition to the costs associated with maintaining data integrity and integration, access security becomes a major risk (as many users write down IDs and passwords and keep them near their computers for quick systems access).

## **4. Increased IT solution licensing, maintenance, and support costs**

With multiple HR solutions implemented, overlapping capabilities in some of those solutions, integration required across those solutions as well as with other systems, licensing, maintenance, and support costs are significantly higher than they should be for the State.

## **5. Labor intensive manual processes where IT solution support does not exist**

Even with the multiple HRM IT solutions chosen and implemented, functional gaps exist within business intelligence, process flows, reporting, and analytics functions. To close these remaining gaps, Departments and Agencies typically engage in labor intensive manual processes to complete these activities. For example, HR ad hoc reports are typically accomplished by users exporting data from various systems into Excel, manipulating it, and then creating charts or other presentation elements as needed. Other ad hoc reports are also used to manage data changes, which then have to be manually re-input into the various systems. The NeoGov, Cornerstone, and Workday systems do not have the capability to share data between each of the systems, so in the case of our Agency HR departments completing recruiting and onboarding activities for potential and new employee's, a new employee's critical information must be entered in all three systems manually – causing time delay's and data integrity issues between the three systems. Conversely, disabling of terminated employee's access to various systems in the current environment requires multiple manual processes to assure access is removed in a timely manner. Risk of a disgruntled terminated employee creating system issues is greatly mitigated in a single platform environment.

## **6. Lack of a specialized IT staff pool in State to effectively support current HRM/ERP platforms**

The State of Nebraska does not currently meet the minimum requirement of staff with the proper platform expertise to support our infrastructure. The State, at minimum; should have 12 CNC staff, 13 business analysts, and 30 developers (a total of 55 staff) supporting our current production HRM/ERP platforms. The state currently staffs at 6 CNC staff, 13 business analysts, and 1 developer.

## **7. Lack of fully functional Disaster Recovery Capabilities in support of current ERP platform**

The state of Nebraska currently has one dedicated AS400 that operates the states payroll and payables functions (over \$944,756,106 in average monthly financial activity processed through this system to include 204,255 vendor payments, aid payments to 261,823 state recipients, tax refund payments, and payroll payments for over 17,500 state employee's for \$44,669,136 in salary). The states recovery infrastructure is one 12-year old AS400 located at the University of Nebraska Medical Center data center in Omaha, NE that has never been exercised to see if the states production ERP system can be restored. For every day that the states ERP system is offline, net 45 day invoice payments will become delinquent and generate an additional daily interest cost of \$75,007 until the system is fully restored.

Recipient aid average monthly participant counts and payment values:

- Medicaid and CHIP Eligible – all ages: 232,795 recipients / \$158,763,444
- Aid to Dependent Children (ADC) families: 5,710 recipients / \$2,288,262
- Child care recipients: 18,143 recipients / \$8,333,059
- Developmental Disabilities Clients: 4,665 Recipients / \$16,596,285
- Veteran's Homes Monthly Census: 510 Recipients / \$1,903,814

Other delays or deferments:

- Court mandated garnishments (child support, alimony, tax levies, etc.)
- Delays on construction projects if contractor payments are delinquent
- Vendor penalties and fees for interrupted services and payments on contracts
- State Treasurer would be unable to accurately clear previously issued warrants from banks
- State Treasurer would be required to manually record all deposits to banks
- Unable to perform budget checks for payments that could be made outside of system (credit card, handwritten warrants, wire transfers, etc.)
- Payments to vendors and recipients participating in Federal grant programs, for which reimbursement is received through the Delay of Draw Federal Letter of Credit program, would be deferred for the period of a system interruption.

### 3. Anticipated Outcomes

This justification is supported by the Guiding Principles listed below, ensuring the most efficient and effective enterprise IT solutions are implemented in the future.

#### HRM and ERP IT Solution Guiding Principles:

- **Executive Governance** – Business decisions regarding operational processes as well as underlying IT solutions supporting those business processes are agreed upon by an Executive Leadership team (e.g. Director of DAS, OCIO, CHRO, and State Budget Officer), then planned, budgeted, and implemented. These governance decisions would include strategy and performance objectives, enterprise-wide operating practices, and IT architecture standards & practices.
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- **Maximum Security and Data Integrity Capabilities** – HRM, ERP, and eProcurement IT solution decisions aligned with internal and best practice security capabilities to ensure the State’s data remains as secure as possible and as accurate as possible. For example, the State’s data is not co-mingled with any other entity’s data and has multiple levels of application protection as well as multiple levels of physical protection. The cloud solution also will insure almost instantaneous cutover and recovery of the state’s enterprise systems as our data will be in production in one 3<sup>rd</sup> party data center but replicated in real-time to three other geographically separated data centers.
- **Flexible and Efficient Operational Support** –HRM and ERP IT solutions enabling configuration and daily processing flexibility to meet State defined business processes and operating needs. For example, coordinating system upgrade timing within an agreed upon timeframe (vs a requirement to upgrade at a static point in time along with 100s or 1,000s of other customers) to reduce business disruption risk.

Leveraging these Guiding Principles, the State of Nebraska should realize a significant reduction in the total cost of ownership of its technology portfolio while simultaneously experiencing major improvements in functional support of HRM/ERP operations and substantial reduction in IT operational risk and complexity.

## 4. Recommendation

Various options and alternatives were analysed to determine the best way to leverage technology to improve the business processes and reduce the overhead costs for the State of Nebraska's enterprise HRM/ERP system. The approach described herein allows us to meet our operational objectives of continuously improving efficiency and processes, reducing costs, and capitalizing on technology.

The enterprise migration and consolidation of platforms would occur over two phases with Phase I beginning in August 2017 and Phase II starting in August 2018 with all system modules coming fully online by no later than November 2019. Phase I would cover the consolidation of all HCM functions onto one platform and phase II would migrate the current JDE E1 system to a cloud-based platform that would include ERP, eProcurement, and State Budget modules.

Some of the ways that this technology migration and consolidation will achieve its desired results are:

- The selected cloud-based system will provide a unified, seamlessly integrated HRM, ERP, Budgeting, and eProcurement platform
- Single sign on capability for all state employee's
- Unified reporting and data analytics
- Significant reduction in number of specialized skill IT staff required to support the platform
- Optimization of end-to-end processes
- Dramatic increase in COOP availability, redundancy, and reliability
- Automate the states procurement and contracting processes
- Improvements in the recruiting and on boarding of new employee's
- Enhanced ability to standardize operational procedures for all modules state-wide

## 5. Justification

The migration of human resource lifecycle activities, payroll, payables, budgeting, and other administrative functions from the legacy mainframe system to the cloud-based platform will result in greater efficiency with regards to company resources and business processes. This platform migration is also aligned with state strategy and objectives centered on the Process Improvement Center of Excellence where we will have a more agile technology platform to improve the way we do business. While other alternatives and the status quo were analysed, this course of action was selected for proposal in this business case because it provides the best opportunity to realize benefits in a strategic manner while also allowing for the greatest improvement in efficiency and cost reduction. Other alternatives assumed greater risk, provided less benefits, were too difficult to define, or were not suitably aligned with current state strategy, IT capabilities, and/or objectives.

Displayed at the top of the next page is the summary of biennium and annual costs and savings. For additional details that detail the summary numbers included, please refer to "Attachment 1 – Cloud Migration Budget Analysis" spreadsheet.



## 6. Business Case Analysis Team

The following individuals comprise the business case analysis team. They are responsible for the analysis, creation of the project business case, and the execution of the project if funding is approved.

Role	Description	Name/Title
Executive Sponsor	Provide executive support for the project	Byron L Diamond, Director - DAS
Technology Support	Provides all technology support for the project	Karen Hall – DAS IT Manager
Process Improvement	Advises team on process improvement techniques	Matt Singh – Process Improvement Director
Project Manager	Manages the implementation project plan and IT project team	Lacey Pentland – DAS CNC Supervisor
HRM System Support	Provides all software/process support for the project	Margie Bell – DAS CHRO/State Personnel Director
ERP System Support	Provides all software/process support for the project	Jerry Broz – DAS CFO/State Accounting Administrator
eProc System Support	Provides all software/process support for the project	Bo Botelho – DAS COO/Materiel Administrator
Budget System Support	Provides all software/process support for the project	Gerry Oligmueller – State Budget Director

## 7. Approvals

The signatures of the people below indicate an understanding in the purpose and content of this Business Case by those signing it. By signing this document you indicate that you approve of the proposed project outlined in this business case and that the next steps may be taken to create a formal project in accordance with the details outlined herein.

Approver Name	Title	Signature	Date
Byron Diamond	DAS Director		
Gerry Oligmueller	State Budget Director		
Pete Ricketts	Governor – State of Nebraska		

Tab 1 - Annual Savings Summary & Return

**DAS Full System Migration**

**Summary of Net Annual Savings and Return**

(Amounts in thousands)

		<u>Amount</u>	<u>Annual Savings/(Cost)</u>
<b>Incremental Costs</b>			
<b>Single platform vs legacy systems</b>			
Single, integrated cloud platform	Subscription fees	\$ 2,297	(See Subscription Fee Detail)
Current JD Edwards (E1) software	Licensing/maintenance/support costs	\$ 700	(Current Annual Cost)
Current Workday HRMS	Subscription fees	670	(Current Annual Cost)
	Total Current Legacy Costs	<u>\$ 1,370</u>	
	<b>Incremental Costs to Operate Single Integrated Platform</b>	<b><u>\$ (927)</u></b>	<b>\$ (927)</b>
<b>Savings from Cost Reductions</b>			
<b>DAS IT staff</b>			
	Current state levels	\$ 1,765	(See IT Staff Analysis)
	Projected post-migration levels	<u>1,655</u>	(See IT Staff Analysis)
	<b>Savings From IT Staff Cost Reductions</b>	<b><u>\$ 110</u></b>	<b>110</b>
<b>DAS/CIO IT Costs</b>		<b><u>\$ 1,033</u></b>	<b>1,033</b> (See IT-CIO Cost Detail)
	<b>Savings From Elimination of DAS/CIO Legacy Support</b>		<b>1,033</b>
	<b>Annual Savings From Cost Reductions, Net</b>		<b>\$ 216</b>
<b>Steady State Indirect Savings:</b>			
	Negotiated avoidance of price increases on purchase of single platform for five years (DAS)	72	
	DAS IT staff levels - required vs post migration - cost avoidance (DAS)	3,290	
	E-Procurement contracting efficiency - cost avoidance (DAS)	100,000	
	Continuous Process Improvement savings (Enterprise)	<u>14,780</u>	
	<b>Total Identified Indirect Savings</b>	<b><u>\$ 118,142</u></b>	<b>118,142</b>
	<b>Grand Total Annual Savings, Net</b>		<b><u>\$ 118,358</u></b>
<b>Return:</b>			
	<b>Total Costs to Migrate and Implement Single, Integrated Platform</b>	<b>\$ 25,423</b>	(See Migration Cost Detail)
	<b>Grand Total Annual Savings, Net</b>	<b>\$ 118,358</b>	(From Above)
	<b>Expected Payback Period</b>	<b>24.21</b>	<b>Months</b>

Tab 2 - Biennium Cost Summary

**DAS Full System Migration and Implementation**

**Summary of Biennium Costs**

(Amounts in thousands)

		FY 17 - 18	FY 18 - 19	Total Biennium
<b>Migration/Implementation Costs</b>	One-time cost	\$ 6,620	\$ 8,280	\$ 14,900
Single, integrated cloud platform	Subscription fees, HCM only year 1	\$ 561	\$ 2,297	\$ 2,858
Current JD Edwards (E1) software	Licensing/maintenance/support costs	\$ 700	\$ 700	\$ 1,400
Current Workday HRMS	Subscription fees	670	0	670
	Total Current Legacy Costs	\$ 1,370	\$ 700	\$ 2,070
<b>DAS IT staff</b>	Current state levels	\$ 1,765	\$ 1,765	\$ 3,530
<b>DAS/CIO IT Costs</b>	Support of Legacy Systems	\$ 1,033	\$ 1,033	\$ 2,065
	Grand Totals	\$ 11,349	\$ 14,074	\$ 25,423

Tab 3 - Migration Cost Detail

**Migration and Implementation Cost Detail**

(Amounts in thousands)

		<u>FY 17 - 18</u>	<u>FY 18 - 19</u>	<u>Total Biennium</u>
<b>Modules:</b>				
HCM	Human resource management	\$ 4,200	\$ -	\$ 4,200
ERP	Financial and E-Procurement	0	4,600	4,600
PBCS	Budget Planning and Development	0	1,200	1,200
Subtotal module migration and implementation		<u>4,200</u>	<u>5,800</u>	<u>10,000</u>
<b>Support and Development:</b>				
PMO	Project management	700	700	1,400
PaaS	System customization	400	400	800
Training		1,100	1,100	2,200
Subtotal support and development		<u>2,200</u>	<u>2,200</u>	<u>4,400</u>
Total		<u>6,400</u>	<u>8,000</u>	<u>14,400</u>
<b>Contingencies</b>	3.5%	220	280	500
Grand Total		<u><u>\$ 6,620</u></u>	<u><u>\$ 8,280</u></u>	<u><u>\$ 14,900</u></u>

Notes - Assumes 60%/40% State vs contractor implementation and support participation.

E-Procurement and Budget are planned new modules requiring implementation.

Tab 4 - Subscription Fee Detail

**Subscription Fee Rate Commitment**

(Amounts in dollars)

		<u>Negotiated Annual Rate</u>
<b>Modules:</b>		
HCM	Human resource management	\$ 561,204
ERP	Financials	1,286,995
E-Proc	Procurement	414,324
PBCS	Budget Planning and Development	34,272
Total Negotiated and Committed Rate		<b>\$ 2,296,795</b>
Original quoted rate		6,755,280
<b>Negotiated annual savings</b>		<b>\$ 4,458,485</b>
		66%

Negotiated rate commitment is for 5 years with no (0%) annual increases.

Normal annual increases are projected to be 3%:

Total 5-year savings	\$ 288,268
Average annual savings	\$ 72,067

Negotiations also included a request to extend the 0% annual increase commitment to 10 years.

Tab 5 - IT - CIO Cost Detail

**Savings From IT/CIO Cost Reductions**

(Amounts in dollars)

	<b>Annual Costs</b>
E1 software support/maintenance/finance fees	\$ 242,087
Hardware fees	534,299
Disaster recovery fees	98,186
3rd Party Support - Hardware Maintenance/COOP	118,000
Total DAS cost savings	992,572
Budget software IT fees (Budget Office cost savings)	40,000
Total annual IT/CIO Cost Savings	<u>\$ 1,032,572</u>

Note: Hardware Replacement Reserve requirement every 4 years (\$2M)

Tab 6 - IT Staff Analysis

**Analysis of Annual IT Staffing and Related Savings**  
(Amounts in thousands)

Position	Annual cost, fully loaded	Steady State Levels (36%)		Steady State Required Levels		Post Full Migration Levels (100%)	
		FTE's	Amount	FTE's	Amount	FTE's	Amount
CNC Staff	\$95,000	6	\$ 570	12	\$ 1,140	4	\$ 380
Business Analyst	\$85,000	13	1,105	13	1,105	15	1,275
Developer	\$90,000	1	90	30	2,700	0	0
		20	\$ 1,765	55	\$ 4,945	19	\$ 1,655
<b>Steady State Annual Shortfall</b>				35	\$ 3,180		
				<b>Annual Savings:</b>			
				<b>vs Steady State (5% Staffing Reduction)</b>		1	\$ 110
				<b>vs Steady State Required</b>		36	\$ 3,290