

COMMITTEE REPORT

4/9/75

SENATE

Mr. President:

Date \_\_\_\_\_

The Committee on FINANCE has had HB 252 supplemental appropriation to the Dept. of Administration under consideration. A Majority of the members of the Committee

- ( ) recommends it DO PASS
- ( ) recommends it DO NOT PASS
- ( ) recommends it DO PASS WITH ATTACHED AMENDMENT(S)
- ( ) recommends it BE REPLACED WITH CS FOR \_\_\_\_\_ AND THAT  
CS FOR \_\_\_\_\_ DO PASS
- ( ) "and" recommends it BE REFERRED TO THE \_\_\_\_\_  
COMMITTEE
- ( ) reports it back WITHOUT RECOMMENDATION
- ( ) "other"

Members signing the Majority report:

_____	_____	_____
_____	_____	_____
_____	_____	_____
_____	_____	_____

Members NOT concurring in the Majority report:

\_\_\_\_\_ recommends:

\_\_\_\_\_ recommends:

\_\_\_\_\_ recommends:

\_\_\_\_\_ recommends:

\_\_\_\_\_ recommends:

\_\_\_\_\_ Chairman

COMMITTEE REPORT

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- ( ) "other"

Members signing the Majority report:

_____	_____	_____
_____	_____	_____
_____	_____	_____
_____	_____	_____

Members NOT concurring in the Majority report:

\_\_\_\_\_ recommends:

\_\_\_\_\_ recommends:

\_\_\_\_\_ recommends:

\_\_\_\_\_ recommends:

\_\_\_\_\_ recommends:

\_\_\_\_\_ Chairman

A M E N D M E N T

Offered in the SENATE

By SENATE FINANCE

To: \_\_\_\_\_ SENATE BILL NO. \_\_\_\_\_

\_\_\_\_\_ HOUSE BILL NO. 292

AMENDMENT: Page 1 Line 10

DELETE: 5712,100

INSERT: 5639,100

Page 1 Line 15

DELETE: 5720,300

INSERT: 5340,300

Page 1 Line 17

DELETE: 5715,100

INSERT: 5676,100

# STATE OF ALASKA

## DEPARTMENT OF ADMINISTRATION

DIVISION OF BUDGET & MANAGEMENT

POUCH C — JUNEAU 99801

JAY S. HAMMOND, Governor

March 11, 1975

The Honorable Hugh Malone  
Chairman  
House Finance Committee  
Alaska State Legislature  
Pouch V  
Juneau, Alaska 99811

Dear Representative Malone:

We hereby request your committee's consideration of an adjustment to HB 252, a supplemental appropriation to the Department of Administration. Our requested amendment would increase the total appropriation from \$719,100 to \$919,100 and would increase the amount allocated for the Division of Finance from \$31,300 to \$231,300. All funds involved are from the General Fund.

As you know, the 1974 Legislature appropriated \$475,000 for contractual services to the Department of Administration for the development of a new sophisticated payroll system capable of absorbing the numerous alterations to the payroll system brought on by collective bargaining agreements. The \$400,000 is not enough.

Based on cost estimates for "outside services" by the staff of Arthur Young and Company, we have taken a figure half-way between their "best case" and "worst case" to arrive at what we consider a realistic amount. Additional information is attached for your in-depth review.

We ask also that consideration be given to making the \$200,000 a non-lapsing appropriation at the end of Fiscal Year 1975 as a portion of the work necessary will not be completed during Fiscal Year 1975.

Sincerely,



Andrew S. Warwick  
Chairman  
Governor's Budget Review Committee

Attachment:

cc: The Honorable Mike Bradner  
Speaker of the House  
of Representatives

ASW/VKD/bc

## MEMORANDUM

TO: 

Kell's N. Sewell  
Administrative Officer  
Department of Administration

DATE : March 5, 1975

FROM: William C. Mullin, Director *WCM*  
Division of Finance  
Department of Administration

SUBJECT: New Employee Information System  
(NEIS)

The 1974 Legislature appropriated \$400,000 to the Department of Administration for a new payroll (employee information) system.

In September a contract was entered into with Arthur Young & Company to determine if a suitable package payroll system was available from a commercial vendor, to prepare a conceptual design for the new system and to prepare an implementation plan detailing the costs, methods and resources required.

Arthur Young & Company has tentatively recommended the payroll package offered by TRES Computer Systems Inc. of Dallas, Texas. The recommendation of TRES is tentative pending a detailed review of that package on a program-by-program basis. This review will not be completed until the end of April.

If the TRES package is acceptable:

1. We will have a new payroll system in operation on January 1, 1976.
2. We will pay an estimated \$384,200 to \$418,600 for outside services in addition to \$143,000 paid to date to Arthur Young & Company.

If the TRES package is not acceptable:

1. We will not have a new payroll system until July 1, 1976.
2. We will pay an estimated \$476,900 to \$548,400 for outside services.

The above estimates were prepared by staff of Arthur Young & Company. The way they were developed is shown in the back-up with their letter of February 19. A copy of the letter is attached.

The amounts are estimates. Actual costs will not be known until contracts are negotiated for each ensuing segment of the project. In any event it is obvious that additional money is needed.

On the attached schedule we show an estimated remaining project cost for outside services of \$457,000. This is about half-way between the high for the "best case" and the low for the "worst case". Adding cost incurred to date of \$143,000 and subtracting the 1974 appropriation of \$400,000 leaves a balance needed of \$200,000.

Please request an additional appropriation of \$200,000 to augment the \$400,000 appropriated by the 1974 Legislature for a new payroll system.

cc: Michael Parisi, Director  
Division of Data Processing  
Department of Administration

Wayne E. Weeks  
Program Budget Analyst  
Division of Budget & Management  
Department of Administration

New Employee Information System  
 Estimated Costs For Outside Vendors  
March 1975 to January 1976

	<u>Best Low</u>	<u>Case High</u>	<u>Worst Low</u>	<u>Case High</u>
Arthur Young & Co.	\$270,800	\$297,900	\$476,900	\$548,400
TRES Comupter Systems	113,400	120,700		
Total	\$384,200	\$418,600	\$476,900	\$548,400

Estimated Cost	\$457,000
Costs Incurred to Date	<u>143,000</u>
Total Costs	\$600,000
Less 1974 Appropriation	<u>400,000</u>
Balance Requested in 1975	\$200,000

HB 252

March 3, 1975

The Honorable Mike Bradner  
Speaker of the House  
Alaska State Legislature  
Juneau, Alaska 99811

Dear Mr. Speaker:

In accordance with AS 24.30.060(b) and the Uniform Rules of the Legislature, I am transmitting a bill making a supplemental appropriation to the Department of Administration for \$719,100, which will be allocated as follows:

\$420,000 to the Alaska Longevity Bonus Program to fund the increase in the number of eligible applicants for the bonus which has exceeded the estimates used in the Fiscal Year 1975 budget;

\$239,000 to the Alaska Pioneers' Homes, which is requested because the federal government has indicated that the homes are not eligible for the federal receipts originally appropriated for Fiscal Year 1975;

\$31,300 to the Division of Finance to meet a projected shortfall resulting from meeting requirements stemming from collective bargaining agreements and substantial increases in paper costs; and

\$28,000 to Archives and Records for contractual services, the funds for which were depleted due to additional unforeseeable new form requirements and increased paper costs.

Sincerely,

Jay S. Hammond  
Governor

## STATE OF ALASKA

JAY S. HAMMOND, Governor

## DEPARTMENT OF ADMINISTRATION

OFFICE OF THE COMMISSIONER

POUCH C - JUNEAU 99811

March 27, 1975

Honorable Hugh Malone  
Chairman, House Finance Committee  
Alaska State Legislature  
State Capitol - Pouch V  
Juneau, Alaska 99811

RE: Request for more specific information regarding FY 75  
Department of Administration supplemental

Dear Representative Malone:

In response to your recent request my staff has prepared the following information. Should you desire further clarification or additional information, please do not hesitate to call.

Longevity Bonus. The monthly longevity bonus payments through February were as follows: July, \$511,500, August, \$520,500, September, \$522,100, October, \$519,900, November, \$524,900, December, \$509,400, January, \$521,100, and February, \$515,700, for a total of \$4,145,100. The balance as of the end of February was \$1,841,100.

Pioneers' Homes. The current unencumbered balance as of February is \$1,274,000. The original appropriation was based upon the receipt of \$297,400 in federal funds. As noted in the attached letter from Vernon Perry, only \$58,400 is expected, leaving \$239,000 as the requested supplemental appropriation to continue full operation at the Home. In fact, the Director of the Homes indicates that a reduction of \$239,000 would require (1) curtailment of all new admissions, and (2) closing at least one guest wing in each Home and laying off related permanent State employees. In response to your last question, the following is a breakdown of monthly expenditures incurred through February: July, \$101,429, August, \$263,719, September, \$251,708, October, \$257,226, November, \$361,001, December, \$301,038, January, \$309,520, and February, \$283,192, for a total of \$2,129,833.

Archives and Records. To date, \$44,304 have been expended for State-wide forms during FY 75. This is \$4,100 over the appropriation of \$40,200 appropriated for this purpose. A survey of other agencies indicates an additional \$17,400 is needed for State applications, envelopes, purchase requisitions, travel request books and other miscellaneous forms. Presently, there exists an unencumbered deficit balance of \$2,219 as of the end of February (adjusted for outstanding purchase requisitions for State-

Honorable Hugh Malone  
Chairman, House Finance Committee  
Page 2

3/27/75

wide forms). The \$300 per month estimate was based on the average monthly expenditures for general office supplies such as microfilm cartridges, paper, pencils, ribbons, etc.; equipment repairs and parts; and transportation and delivery charges for forms and equipment. The deficit balance means that State-wide form purchases are being made by using "currently" available money in other line-items earmarked for upcoming obligations which will soon become due. There are no funds available in contractual services to pay ongoing costs for the telephone, contract equipment purchases, xerox rental, vehicle rental from Highways, labor for shelving installation or costs relating to the move to the new facility. Obviously, if money is not appropriated soon significant sacrifices will have to be made by the Department of Administration as well as in other agencies. In fact, some agencies are already xeroxing State applications at about five times the cost of Central Purchasing through Archives. Also, insufficient funds have resulted in higher agency costs due to "crash" purchases and limited the number of forms which can be purchased meaning significant savings through quantity discounts will not materialize.

Sincerely,



Andrew S. Warwick  
Commissioner

ASW/mjc

March 21, 1975

The Honorable Andrew Warwick  
Commissioner  
Department of Administration  
Pouch C  
Juneau, Alaska 99811

Dear Mr. Warwick:

We have studied your letter of March 11 seeking to add \$200,000 to your revised supplemental request (HB 252). We must ask that you submit this in a separate supplemental and that you explain, specifically but briefly, what Arthur Young and Company are doing for the Division of Finance, why the costs are higher than original estimates, and whether yet another supplemental can be expected next Session.

I hope this finds you feeling better.

Sincerely,

Hugh Malone  
Chairman  
House Finance Committee

HM:kfs

# STATE OF ALASKA

JAY S. HAMMOND, Governor

## DEPARTMENT OF ADMINISTRATION

OFFICE OF THE COMMISSIONER

POUCH C-JUNEAU 99801

March 21, 1975

The Honorable Hugh Malone  
Chairman, House Finance Committee  
State Capital  
Juneau, Alaska 99811

Dear Mr. Malone:

This is in reply to your request of March 21 for additional information on the new payroll system and the revised supplemental request for an additional \$200,000.

The present payroll system (Employee Information System) is not adequate to meet the needs of the state. The need for a new system was recognized after contracts were negotiated with employees of the various bargaining units a year ago.

The orientation of the present system is for classified and partially exempt employees. Prior to collective bargaining practically all of these employees were paid monthly. They were treated very much the same with regard to retirement, leave accrual, fringe benefits, rates of pay, etcetra. With the advent of collective bargaining, however, each group has been moving in slightly different directions.

As an example, many of our employees are now paid twice a month instead of once a month. Some employee units are entitled to personal leave instead of annual leave. In addition, numerous hourly rate employees may now be members of employee unions, are eligible for health insurance, may buy savings bonds, may have a deduction for union dues, and may do many other things that in the past were restricted to monthly rate employees.

We must have a new payroll system that is oriented toward bargaining units rather than toward the service (exempt service, partially exempt service or classified service) to which the employee has been assigned. The new system must also be more timely than our existing system. Currently 45% of our employees are being paid on the basis of hourly rates. A year ago only a little over 30% of our employees were paid on the basis of hourly rates. This means that many more employees must have their hours vouchered into the system than was true a year ago. Then too, a year ago we were not faced with the problems of penalty pay. These problems can be resolved by the use of tele-processing techniques to get information into the system. We do not have this ability at the present time.

The new system that is being designed by Arthur Young & Company will:

1. Be oriented toward bargaining units,
2. Be more flexible than the existing system,
3. Be more timely.

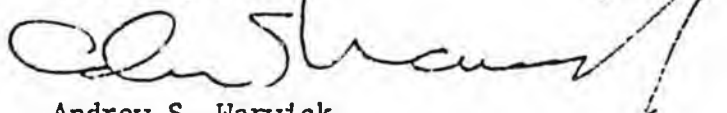
The original estimate of \$400,000 was the lowest amount that we considered reasonable. It was based on an ideal situation and in fact there was very little support for it. However, if the state had been able to buy a packaged payroll system such as MSA or Wang the \$400,000 estimate may have been enough.

In the initial work done by Arthur Young & Company it was determined that there is no commercially packaged payroll system that will meet the state's needs. The two states that have bought these kinds of systems plan to discard them.

Arthur Young & Company did identify the TRES computer systems framework as a suitable one to be acquired and the state has tentively selected the TRES system. However, TRES is not a typical payroll package. It is instead a framework that can be used to apply the building block approach for a total system. If the TRES framework is acceptable the amount requested will be adequate. If it is not we will have to have tailor-made Employee Information System and it will then be necessary to ask for another supplemental appropriation at the next session of the Legislature. If the state is compelled to go the tailor-made route the next supplemental may be in the \$200,000 range also.

Attached is a letter from Arthur Young & Company dated February 19, 1975 outlining the additional costs necessary to complete the installation of a new system.

Sincerely yours,

A handwritten signature in cursive script, appearing to read "Andrew S. Warwick".

Andrew S. Warwick  
Commissioner of Administration

ARTHUR YOUNG & COMPANY

730 T STREET  
ANCHORAGE, ALASKA 99501

February 19, 1975

Mr. William C. Mullin  
Director, Division of Finance  
Department of Administration  
State of Alaska  
Pouch C  
Juneau, Alaska 99801

Dear Mr. Mullin:

The attached estimates are submitted in response to the NEIS Policy Committee request of January 23, 1975. These estimates were developed to assist the State of Alaska in developing the Department of Administration's 1975-1976 fiscal budget. These estimates are the major cost components for the detail design and implementation of the New Employee Information System as defined in the conceptual design report. The estimates should not be construed as a contractual commitment of Arthur Young & Company or any other firm to provide services to the State of Alaska.

Due to the diversity of assumptions used in obtaining these estimates, the cost estimates for outside services range from a low of \$384,278 to a high of \$548,423. Since the assumptions used are subjective and were purposely selected to provide the best and worst situations, we suggest that this document be used for internal purposes only.

We are hopeful this will provide the basic estimates needed to proceed with your budget planning. Should you have any questions or comments with respect to these estimates, please contact Mr. Larry Crawford in our Anchorage office (907-279-0422). We look forward to assisting you during the next phases of the NEIS project.

Yours very truly,

RECEIVED

FEB 20 1975

DEPT. OF ADAL

*Arthur Young & Company*

## I. INTRODUCTION

The State of Alaska budgetary process requires cost estimates for activities in the subsequent fiscal year during the legislative session preceding that fiscal year. The New Employee Information System (NEIS) project currently in progress will require significant expenditures during fiscal year 1975-1976. While the project has not reached a point where definitive costing can be accomplished, a rough estimate has been derived for budgetary purposes. A specific project budget will be established in Phase II of the project which is scheduled for completion the latter part of March. These estimates are the major cost components for the detail design and implementation of the New Employee Information System as defined in the conceptual design report.

In deriving a cost estimate for NEIS Phase III, two separate sets of factors were utilized. The first set of factors were estimates of the level of effort by functional skill required to develop the system as described in the conceptual design. These estimates are based on the project team's knowledge of the NEIS requirements and on our prior experience with projects of comparable scope and nature. The second set of factors are a variety of assumptions which can substantially influence the schedule and cost of the project. The combination of these factors provides a reasonable range of cost estimates to be used for budgetary purposes.

Due to several undefined areas which are to be resolved in Phase II of the project, precise cost estimates are difficult if not impossible to develop at the moment. To be responsive during the budgetary development cycle, this estimate has been developed. Significant variations may be realized in the refinement of this estimate and in any event the cost breakdowns included herein should not be deemed adequate for project management.

II. SCOPE OF PROJECT

A. WORST CASE

The estimated manpower requirements are indicated below by functional skill. This following table assumes that the system conceptual design will be implemented without the utilization of any package.

<u>Function</u>	<u>Man-Months</u>	<u>Total</u>
User Representative		
Finance Division	3	
Personnel Division	3	6
Systems Analyst		
Detail Design	24	
System Documentation	7	
Procedure Manual Preparation	7	
Conversion Planning/Assistance	4	
User Training	6	
System Testing	3	51
Programmer		
Coding	36	
Testing (Unit and String)	9	
Operational Documentation	8	53
Project Management		8
TOTAL		<u>118</u>

As listed in the table, the manning requirements assume a project team of substantial size. Based on tentative manpower commitments, the specific staffing by State of Alaska personnel would be:

Finance division representative	1
Personnel division representative	1
EDP systems analyst	1
EDP programmers	<u>4</u>
TOTAL	<u>7</u>

The additional staffing requirements would be met by Arthur Young & Company consultants.

In deriving this estimate, several adverse assumptions were used to arrive at a worst case situation.

- Software Package not Utilized

As a part of Phase II of the NEIS project, a detailed analysis of the TRES software package is to be completed. While the initial evaluation was favorable, it is not inconceivable that the package may be deemed unsuitable. Without using a software package, the design and programming tasks will be substantially increased.

- Computer Resource Scarcity

Utilization of the Department of Administration computer in Juneau is currently estimated to be in excess of 85 percent of available time. There is a tentative plan to install a greater capacity computer in September, 1975. If additional computer resources are not available by this date or sooner, a negative impact on the NEIS project schedule and manpower requirements can be expected. Computer time at another facility might be required which would increase costs.

- Design Resolution Difficulties

A majority of the detail design products will be subject to review by various user representatives. If the user representatives are not responsive in approving design products in a timely fashion or require many iterations to reach a final product, the project cost will be increased. The project schedule would have to be extended as well.

- State Manpower not Available

To minimize costs associated with familiarizing personnel with the NEIS project and to insure adherence to schedule, assignment of State of Alaska personnel should be solely at the convenience of the project and should be dedicated assignments. The reverse

situation was assumed for a worst case estimate. To assure an orderly transition to an operational status, these same personnel should have continuing responsibilities for the NEIS.

B. BEST CASE

To provide a lower limit or best case estimate, the above assumptions were negated to provide the manpower estimates shown hereafter. This alternative includes the use of the TRES EIS as the framework for the NEIS.

<u>Function</u>	<u>Man-Months</u>	<u>Total</u>
User Representative		
Finance Division	3	
Personnel Division	3	6
Systems Analyst		
Detail Design	12	
System Documentation	6	
Procedure Manual	6	
Conversion Planning/Assistance	4	
User Training	6	
System Testing	3	37
Programmer		
Coding	18	
Testing (Unit and String)	4	
Operational Documentation	4	26
Project Management		8
TOTAL		<u>77</u>

III. COST ESTIMATES

The man-month estimates were delegated to the respective project team members to derive a range of cost estimates. The following rates were used for state resources:

User representative	\$21 per hour
Systems analyst	\$21 per hour
Programmer	\$15.50 per hour
Computer time	\$100 per hour

Current prevailing billing rates for consultants were used together with gross estimates for out-of-pocket expenses.

Exhibit I is a costing for the worst case estimate. Exhibit II is the most optimistic estimate. These estimates are provided for budget planning purposes and should not be construed as a commitment on the part of the State of Alaska, Arthur Young & Company, or TRES Computer Systems, Inc., to complete any portion of the NEIS project.

NEIS PROJECT COST ESTIMATE  
 PHASE III  
 WORST CASE

State Resources

User Representatives	\$ 20,475	-	\$ 23,546
Systems Analyst	40,950	-	47,092
Programmers	124,800	-	143,520
Computer Time	50,000	-	57,500
Data Capture	<u>15,000</u>	-	<u>17,250</u>
	\$251,225		\$288,908

Arthur Young & Company

Systems Analyst	\$370,000	-	\$425,500
Programmers	24,570	-	28,255
Project Management	<u>82,320</u>	-	<u>94,668</u>
	\$476,890	-	\$548,423

TOTAL	<u>\$728,115</u>	-	<u>\$837,331</u>
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NEIS PROJECT COST ESTIMATE  
 PHASE III  
 BEST CASE

State Resources

User Representatives	\$ 20,475	-	\$ 22,522
Systems Analyst	40,950	-	45,045
Programmers	62,400	-	68,540
Computer Time	25,000	-	27,500
Data Capture	<u>10,000</u>	-	<u>11,000</u>
	\$158,825	-	\$174,707

Arthur Young & Company

Systems Analyst	\$163,988	-	\$180,387
Programmers	24,570	-	27,027
Project Management	<u>82,320</u>	-	<u>90,552</u>
	\$270,878	-	\$297,966

TRES

Package Modification	\$ 73,400	-	\$ 80,740
Package Cost	<u>40,000</u>	-	<u>40,000</u>
	\$113,400	-	\$120,740

TOTAL	<u>\$543,103</u>	-	<u>\$593,413</u>
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Introduced: 3/3/75  
Referred: Finance

1 IN THE HOUSE

BY THE RULES COMMITTEE BY  
REQUEST OF THE GOVERNOR

2

HOUSE BILL NO. 252

3

IN THE LEGISLATURE OF THE STATE OF ALASKA

4

NINTH LEGISLATURE - FIRST SESSION

5

A BILL

6

For an Act entitled: "An Act making a supplemental appropriation to the  
7 Department of Administration; and providing for an  
8 effective date."

9

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA:

10

\* Section 1. The sum of \$719,100 is appropriated from the general fund  
11 to the Department of Administration for the fiscal year ending June 30,  
12 1975 to be allocated as follows:

13

Longevity Bonus Program \$420,000

14

Alaska Pioneers' Home 239,000

15

Division of Finance 31,300

16

Archives and Records 28,800

17

\$719,100

18

\* Sec. 2. This Act takes effect immediately in accordance with AS 01.-  
19 10.070(c).

20

21

22

23

24

25

26

27

28

29

HB 252

Mr Greer called and asked if the bill could be amended further on the floor of the Senate.

He wishes to reduce the Longevity Bonus Program by another 30,000 and place it in the Pioneer's Home.

The bill would then read

Line 13	Longevity Bonus Program	310,000
Line 14	Alaska Pioneer's Home	269,000