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**COMMITTEE REPORT
SENATE**

FURTHER: FINANCE

1/31/85

Date MAY 7, 1985

Mr. President

The Committee on STATE AFFAIRS considered SB 92
benefits under the supplemental benefits system; efd.

and (a majority of the committee) (the committee) reports it back with the following recommendations:

- do pass
- do pass with attached amendment(s)
- replace with/or adopt CS for _____
- new title
- same title and recommends _____
- and attached a "LETTER OF INTENT" NEW FISCAL NOTE
- reports it back without recommendation
- recommends referral to _____ Committee

MEMBERS SIGNING
DO PASS

[Signature]

MEMBERS HAVING
OTHER RECOMMENDATIONS

[Signature]
Chairman

Chairman recommendation

(907) 465-4470

April 5, 1985

Honorable Mitch Abood
Chairman
Senate State Affairs Committee
Pouch V
Juneau, AK 99811

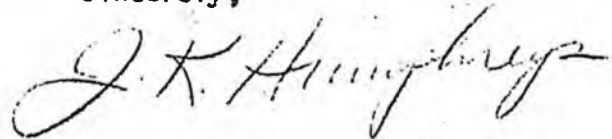
Dear Senator Abood:

During your committee hearing on March 26 concerning SB 92, you requested additional fiscal information.

The enclosed draft fiscal note and analysis and attachments show the data processing costs in greater detail as you requested. I have also assumed that the committee substitute will contain language to specifically include a dependent care benefit as a Supplemental Benefits System (SBS) option and have shown a separate cost for the necessary data processing modifications. In preparing this draft fiscal note, we were also able to reduce some of the data processing costs to reflect some work being performed under contract; the net effect is an increase of \$42.7. The fiscal note analysis discusses this in further detail.

Should you have any questions or require further information, I will be happy to respond.

Sincerely,



J.K. Humphreys
Director

JKH/plg/5
cc: Rebecca Burch
Special Assistant
to the Commissioner
Department of Administration

DRAFT

STATE OF ALASKA 1985 LEGISLATIVE SESSION FISCAL NOTE

Revision Date: _____ Page 1 of 2

REQUEST DRAFT
Bill/Resolution No.: CSSB 92
Title: An Act Relating to Benefits Under the Supplemental Benefits System
Sponsor: Governor
Requestor: _____
Date of Request: _____

FISCAL DETAIL
Agency Affected: Administration
Program Category Affected: Labor Services
BRU, Program or Subprogram(s) Affected: _____

EXPENDITURES/REVENUES: (Thousands of Dollars)

Operating	FY 85	FY 86	FY 87	FY 88	FY 89	FY 90
100 Personal Svcs						
100 Rtmnt & Bnfts						
200 Travel						
300 Contractual		242.7	10.0	10.0	10.0	10.0
400 Supplies						
500 Equipment						
600 Land & Struct						
700 Grants, Claims						
700 TRS Match						
TOTAL OPERATING		242.7	10.0	10.0	10.0	10.0
CAPITAL						
REVENUE						

FUNDING: (Thousands of Dollars)

GENERAL FUND						
FEDERAL FUNDS						
OTHER		242.7	10.0	10.0	10.0	10.0
TOTAL		242.7	10.0	10.0	10.0	10.0

POSITIONS: -0- -0- -0- -0- -0- -0-

FULL-TIME						
PART-TIME						
TEMPORARY						

ANALYSIS: (Attach a separate page if necessary)

DRAFT

Prepared By: J.K. Humphreys, Director Phone: 465-4470
Division: Retirement & Benefits Date: 4/4/85

Approved by Commissioner: Lisa Rudd Date: _____
Agency: Department of Administration

Distribution (by Agency preparing fiscal note):
Legislative Finance
Legislative Sponsor
Requestor
Office of Management and Budget
Impacted Agency(ies)

Draft CS Senate Bill 92
Fiscal Note Analysis
Prepared by Division of Retirement & Benefits
Department of Administration
April 4, 1985

IV ANALYSIS:

This draft fiscal note assumes that the substitute for SB 92 contains a provision to specifically include dependent care as an additional, optional SBS benefit.

This bill would allow the Administrator of the state's Supplemental Benefits System (SBS) to amend the State of Alaska Supplemental Annuity Plan to provide for additional voluntary contributions. This amendment to the Plan would be submitted for approval to the Internal Revenue Service (IRS) to retain the Plan's qualified status. The additional contributions would allow SBS participants to defer up to 18% of their compensation as contributions.

The total estimated cost is categorized as follows:

- a. \$50,000 for consulting services and for booklet and form revision, connected with establishing and qualifying the new Plan in accordance with Federal Law and Internal Revenue Code and to assist in IRS qualification of the Plan. We have included \$10,000 in this category for an annual examination of employee contributions to various benefit programs by our benefit consultant to identify any employees who may have overdeferred on an annual basis. Other costs included here are the preparation and distribution of informational materials for employees.
- b. \$192,745 for data processing changes to systems in the divisions of Finance and Retirement & Benefits. These costs are further categorized on the attached detail sheets and are as follows:
 - 1) \$99,995 for data processing changes in the Division of Finance to accept additional voluntary contributions;
 - 2) \$22,750 for data processing changes in the Division of Retirement & Benefits to accept additional voluntary contributions; and
 - 3) \$70,000 for data processing changes in the Division of Retirement & Benefits to add dependent care as an additional benefit option.

State Of Alaska	Bill: SB-92
SMALL PROJECT - General Purpose Form	----- page 1 of 2
Project Name: SBS Voluntary - Estimation Assumptions & Summary	
Prepared By: Judy Elliott	Date: 03/28/85

Estimation Assumptions:

1. SBS Voluntary forms will be created and collected by Retirement and Benefits once a year. They will be hand verified and passed to Payroll for processing.
2. SBS Voluntary will be elected as a monetary amount rather than a percentage of gross.
3. SBS Voluntary maximum amount will be calculated by Retirement and Benefits.
4. Payroll will send SBS Voluntary deduction amounts to Retirement and Benefits on the current SBS contribution tape with a new type code.
5. This change will be calculated at in-house prices for DP labor costs.
6. The SBS master will not have to be expanded as the SBS voluntary will be held in the annuity balance YTD and ITD fields.
7. Excess SBS Voluntary deductions will be identified by an outside consultant and returned to the member in the next tax year via the annuity payout process in the SBS.

Estimation Summary:

Based on the detailed estimate following, this option will take approximately 4.3 man-months to build at a cost of \$22,750 using in-house DP staff. An estimation of contracting staff costs for this same project would be \$50,000 including some time for the contractors to familiarize themselves with the Retirement & Benefits SBS system. This will take approximately 2 calendar months of time to implement utilizing in-house maintenance staff. This change would be estimated to add 1,000 executable lines of code to the SBS System.

Project Name: SBS Voluntary - SBS System Changes

Prepared By: Judy Elliott

Date: 03/28/85

TASK	DESCRIPTION	EST HOURS	EST RATE	EST COST
1.00	General design phase			
.1	System definition	35	35	1,225
.2	System plan	20	35	700
.3	User requirements	20	35	700
.4	Hardware Requirements	0	35	0
.5	Software selection	0	35	0
.6	System narrative	20	35	700
.7	System flow	20	35	700
.8	Data Dictionary (definitions)	15	35	525
.9	Approvals, miscellaneous meetings, etc.	10	35	350
I.	Estimated Phase Totals	140	35	4,900
2.00	Detail design phase			
.1	Systems design	20	35	700
.2	Subsystems design	35	35	1,225
.3	Subsystem flows	15	35	525
.4	Input/output design	20	35	700
.5	Data Base design	15	35	525
.6	Program design and specification	30	35	1,050
.7	General design update	40	35	1,400
.8	Data Dictionary update	10	35	350
.9	Approvals, walk-thrus, meetings, etc.	15	35	525
II.	Estimated Phase Totals	200	35	7,000
3.00	Programming and Implementation phase			
.1	Programming	120	35	4,200
.2	Unit testing	45	35	1,575
.3	Integrated test plan	20	35	700
.4	System testing	40	35	1,400
.5	User manuals	25	35	875
.6	User training	10	35	350
.7	Project turnover	15	35	525
.8	General and detail design update	15	35	525
.9	Data Dictionary update	05	35	175
.10	Approvals, walk-thrus, meetings, etc.	15	35	525
III.	Estimated Phase Totals	310	35	10,850
	Estimated Project Total	650	35	22,750

State Of Alaska	Bill: SB-92
SMALL PROJECT - General Purpose Form	----- page 1 of 2

Project Name: SBS Dependent Care Option - Assumptions & Summary	

Prepared By: Judy Elliott	Date: 03/28/85

Estimation Assumptions:

1. SBS Dependent Care will be an extra option on the SBS enrollment forms.
2. This change will be calculated at in-house prices for DP labor costs.
3. The SBS master will have to be expanded to hold the new option choice and YTD and ITD premium paid fields. This master file expansion will require the addition of half a disk pack.

Estimation Summary:

Based on the detailed estimate following, this option will take approximately 1.1 man-years to build at a cost of \$70,000 using in-house DP staff. An estimation of contracting staff costs for this same project would be \$162,500 including some time for the contractors to familiarize themselves with the Retirement & Benefits SBS system. This will take approximately 4 calendar months of time to implement utilizing in-house staff. This change would be estimated to add 1,250 executable lines of code to the SBS System.

State Of Alaska	Bill: SB-92
SMALL PROJECT - Project Estimation	page 2 of 2
Project Name: SBS Dependent Care Option - SBS System Changes	
Prepared By: Judy Elliott	Date: 03/28/85

TASK	DESCRIPTION	EST OURS	EST RATE	EST COST
1.00	General design phase			
.1	System definition	80	35	2,800
.2	System plan	75	35	2,625
.3	User requirements	80	35	2,800
.4	Hardware Requirements	0	35	0
.5	Software selection	0	35	0
.6	System narrative	40	35	1,400
.7	System flow	75	35	2,625
.8	Data Dictionary (definitions)	75	35	2,625
.9	Approvals, miscellaneous meetings, etc.	25	35	875
I.	Estimated Phase Totals	450	35	15,750
2.00	Detail design phase			
.1	Systems design	80	35	2,800
.2	Subsystems design	80	35	2,800
.3	Subsystem flows	40	35	1,400
.4	Input/output design	40	35	1,400
.5	Data Base design	80	35	2,800
.6	Program design and specification	120	35	4,200
.7	General design update	75	35	2,625
.8	Data Dictionary update	80	35	2,800
.9	Approvals, walk-thrus, meetings, etc.	30	35	1,050
II.	Estimated Phase Totals	625	35	21,875
3.00	Programming and Implementation phase			
.1	Programming	420	35	14,700
.2	Unit testing	150	35	5,250
.3	Integrated test plan	45	35	1,575
.4	System testing	150	35	5,250
.5	User manuals	40	35	1,400
.6	User training	10	35	350
.7	Project turnover	40	35	1,400
.8	General and detail design update	20	35	700
.9	Data Dictionary update	25	35	875
.10	Approvals, walk-thrus, meetings, etc.	25	35	875
III.	Estimated Phase Totals	925	35	32,375
	Estimated Project Total	2000	35	70,000

State Of Alaska	Bill: SB-92
SMALL PROJECT - General Purpose Form	----- page 1 of 2
Project Name: SBS Voluntary - Payroll Estimation Assumptions & Summary	
Prepared By: Sally Hooton/Gene Chittenden	Date: 03/27/85

Estimation Assumptions:

1. SBS Voluntary forms will be created and collected by Retirement and Benefits once a year. They will be hand verified and passed to Payroll for processing.
2. SBS Voluntary will be elected as a monetary amount rather than a percentage of gross.
3. SBS Voluntary maximum amount will be calculated by Retirement and Benefits and passed to payroll for use in calculations.
4. The payroll master will need to be expanded to keep YTD SBS Voluntary amounts.
5. SBS Voluntary will be reported on the payroll stub.
6. Annual max-out figures will be used to coordinate editing between SBS mandatory, SBS Voluntary, and Deferred Compensation amounts.
7. SBS Voluntary will not be taken for any warrant, like Deferred Compensation, if the member exceeds the annual maximum based on YTD gross pay or if the member's monthly net pay is less than the SBS Voluntary amount.
8. SBS Voluntary may be taken even if Deferred Compensation is dropped on a particular warrant.
9. This change to payroll will be calculated at in-house prices for DP labor costs.
10. SBS Voluntary will be handled as a pre-tax deduction.
11. Excess SBS Voluntary deductions will be identified by an outside consultant and returned to the member in the next tax year via the annuity payout process in the SBS.
12. Payroll will send SBS Voluntary deduction amounts to Retirement and Benefits on the current SBS contribution tape with a new type code.

Estimation Summary:

Based on the detailed estimate following, this option will take approximately 1.47 man-years to build at a cost of \$99,995 using in-house payroll staff. An estimation of contracting staff costs for this same project would be \$175,000 including some time for the contractors to familiarize themselves with the Payroll System. This will take approximately 6 calendar months to implement utilizing in-house maintenance staff. This change is estimated to add 5,000 executable lines of code to the Payroll System.

Project Name: SBS Voluntary - Payroll System Changes

Prepared By: Sally Hooton/Gene Chittenden | Date: 03/27/85

TASK	DESCRIPTION	EST HOURS	EST RATE	EST COST
1.00	General design phase			
.1	System definition	140	35	4,900
.2	System plan	100	35	3,500
.3	User requirements	160	35	5,600
.4	Hardware Requirements	10	35	350
.5	Software selection	10	35	350
.6	System narrative	80	35	2,800
.7	System flow	80	35	2,800
.8	Data Dictionary (definitions)	40	35	1,400
.9	Approvals, miscellaneous meetings, etc.	80	35	2,800
I.	Estimated Phase Totals	700	35	24,500
2.00	Detail design phase			
.1	Systems design	72	35	2,520
.2	Subsystems design	160	35	5,600
.3	Subsystem flows	100	35	3,500
.4	Input/output design	80	35	2,800
.5	Data Base design	100	35	3,500
.6	Program design and specification	160	35	5,600
.7	General design update	45	35	1,575
.8	Data Dictionary update	40	35	1,400
.9	Approvals, walk-thrus, meetings, etc.	100	35	3,500
II.	Estimated Phase Totals	857	35	29,995
3.00	Programming and Implementation phase			
.1	Programming	400	35	14,000
.2	Unit testing	160	35	5,600
.3	Integrated test plan	120	35	4,200
.4	System testing	140	35	4,900
.5	User manuals	100	35	3,500
.6	User training	40	35	1,400
.7	Project turnover	120	35	4,200
.8	General and detail design update	80	35	2,800
.9	Data Dictionary update	40	35	1,400
.10	Approvals, walk-thrus, meetings, etc.	100	35	3,500
III.	Estimated Phase Totals	1300	35	45,500
	Estimated Project Total	2857	35	99,995