

Approved: 2-6-97
Date

MINUTES OF THE HOUSE COMMITTEE ON APPROPRIATIONS.

The meeting was called to order by Chairperson Phil Kline at 1:30 p.m. on February 3, 1997 in Room 514-S of the Capitol.

All members were present except: Representative Kejr - Excused
Representative O'Connor - Excused

Committee staff present: Alan Conroy, Russell Mills, Stuart Little, Legislative Research Department;
Jim Wilson, Mike Corrigan, Revisor of Statutes Office;
Helen Abramson, Administrative Aide

Conferees appearing before the committee: Mr. Dan Stanley, Secretary of Administration
Mr. Don Heiman, DISC Director

Others attending: See attached list

The minutes from the January 30 meeting were distributed for review by the committee. Staff distributed a handout called *Economic Development Initiatives Fund - FY 1998*. (Attachment 1)

Secretary Stanley of the Department of Administration was recognized to give a status report on computer upgrades within his department. He reviewed the history of the software program called SHaRP and why it needs to be upgraded so soon after being implemented. (Attachment 2)

Don Heiman, DISC Director, then explained the costs of SHaRP and the reasons for the upgrade. He proposed installation of Public Sector release 6.0, skip release 7.0, then accept release 8.0 for installation in 1999. This would maximize the amount of time on older releases of supported software. (Attachment 3)

There was considerable committee discussion regarding the network infrastructure costs.

Chairperson Kline announced requests for bill introductions which he would like included in one motion. He introduced one from the governor's office relating to keeping the KSU and KSU-Salina budgets together and also one concerning the Kansas Parole Board. Representative Helgerson requested three introductions: (1) a variation of the pay bill for the classification system, (2) reconstructive surgery for mastectomies, (3) a bill establishing Soldiers' Home facilities at Winfield and Wichita. Representative Neufeld requested a bill to change the SRS statutes regarding trusts due to the federal Kennedy-Kassebaum bill. Representative Pottorff requested a bill for NEA regarding people from out of state coming in to Kansas and enrolling in KPERS.

A motion was made by Representative Neufeld, seconded by Representative Helgerson, to introduce the bills requested. The motion carried.

A motion was made by Representative Ballard, seconded by Representative Feuerborn, to accept the minutes of January 30. The motion carried.

The meeting adjourned at 3:00 p.m.

The next meeting is scheduled for February 4, 1997.

ECONOMIC DEVELOPMENT INITIATIVES FUND - FY 1998

Agency/Program	GOV.REC. FY 1998	HOUSE ADJ. FY 1998	SEN. ADJ. FY 1998	CONF. ADJ. FY 1998
Department of Commerce and Housing				
Agency Operations	\$ 7,245,784	\$ --	\$ --	\$ --
Small Business Development Centers	525,000	--	--	--
Certified Development Companies	475,000	--	--	--
Kansas Industrial Training/Retraining	3,250,000	--	--	--
Trade Show Promotion Grants	270,000	--	--	--
Stategic Planning/Action Grants	250,000	--	--	--
Economic Opportunity Initiative Fund	4,000,000	--	--	--
High Performance Incentive Grants	75,000	--	--	--
Existing Industry Expansion	950,000	--	--	--
Tourism Promotion Grants	479,600	--	--	--
Mid-America World Trade Center	--	--	--	--
Micro Loan Program	--	--	--	--
Mainstreet Grant and Development Prog.	200,000	--	--	--
Agriculture Product Development	350,000	--	--	--
Training Equipment Grants	500,000	--	--	--
Railroad Mitigation Fund	500,000	--	--	--
Travel Information Center Repairs	35,000	--	--	--
Subtotal - KDCH	\$ 19,105,384	\$ --	\$ --	\$ --
Kansas Technology Enterprise Corporation				
Agency Operations	\$ 1,151,083	\$ --	\$ --	\$ --
Centers of Excellence	4,350,000	--	--	--
Research Matching Grants	1,260,000	--	--	--
Business Innovative Research Grants	526,000	--	--	--
Special Projects	109,303	--	--	--
Commercialization Grants	1,550,000	--	--	--
Mid-America Manufact. Tech. Center	1,137,628	--	--	--
EPSCoR	3,200,000	--	--	--
Subtotal - KTEC	\$ 13,284,014	\$ --	\$ --	\$ --
Kansas, Inc. - Agency Operations	\$ 160,376	\$ --	\$ --	\$ --
Department of Education *				
At-Risk/Innovative Program Assist.	\$ --	\$ --	\$ --	\$ --
Matching Grants - AVTS	200,000	--	--	--
Postsecondary Aid - AVTS	6,714,007	--	--	--
Capital Outlay Aid - AVTS	2,000,000	--	--	--
Subtotal - Education	\$ 8,914,007	\$ --	\$ --	\$ --
Dept. of Administration - Performance Review Board *	\$ --	\$ --	\$ --	\$ --
Pittsburg State University - Kansas Technology Center	\$ --	\$ --	\$ --	\$ --
Wichita State University - Cessna Stadium	\$ --	\$ --	\$ --	\$ --
Historical Society - Adair Cabin	\$ --	\$ --	\$ --	\$ --
State Fair - Agency Operations	\$ --	\$ --	\$ --	\$ --
Dept of Human Res. - One Stop Career Center System	\$ 409,940	\$ --	\$ --	\$ --
State Water Plan Fund	\$ 2,000,000	\$ --	\$ --	\$ --
TOTAL TRANSFERS AND EXPENDITURES	\$ 43,873,721	\$ --	\$ --	\$ --
EDIF Resource Estimate				
	GOV. REC. FY 1998	HOUSE ADJ. FY 1998	SEN. ADJ. FY 1998	CONF. ADJ. FY 1998
Beginning Balance	\$ 1,255,731	\$ --	\$ --	\$ --
Gaming Revenues	42,500,000	--	--	--
Other Income	500,000	--	--	--
Total Available	\$ 44,255,731	\$ --	\$ --	\$ --
Less: Expenditures and Transfers	43,873,721	--	--	--
ENDING BALANCE	\$ 382,010	\$ --	\$ --	\$ --

- Indicates a new program or a change of more than 10 percent from the current year budget.

* - Does not include expenditures from prior year EDIF allocations.

Appropriations
2-3-97
Attachment 1

ECONOMIC DEVELOPMENT INITIATIVES FUND - FY 1997

Agency/Program	GOV.REC. FY 1997	HOUSE ADJ. FY 1997	SEN. ADJ. FY 1997	CONF. ADJ. FY 1997
Department of Commerce and Housing				
Agency Operations	\$ 6,712,160	\$ --	\$ --	\$ --
Small Business Development Centers	525,000	--	--	--
Certified Development Companies	475,000	--	--	--
Kansas Industrial Training/Retraining	3,250,000	--	--	--
Trade Show Promotion Grants	270,000	--	--	--
Stategic Planning/Action Grants	200,000	--	--	--
Economic Opportunity Initiative Fund	4,000,000	--	--	--
High Performance Incentive Grants	75,000	--	--	--
Existing Industry Expansion	950,000	--	--	--
Tourism Promotion Grants	379,600	--	--	--
Mid-America World Trade Center	50,000	--	--	--
Micro Loan Program	400,000	--	--	--
Mainstreet Grant and Development Prog.	200,000	--	--	--
Agriculture Product Development	300,000	--	--	--
Training Equipment Grants	250,000	--	--	--
Travel Information Center Repairs	61,000	--	--	--
Subtotal - KDCH	<u>\$ 18,097,760</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>
Kansas Technology Enterprise Corporation *				
Agency Operations	\$ 1,240,575	\$ --	\$ --	\$ --
Centers of Excellence	4,350,000	--	--	--
Research Matching Grants	1,060,000	--	--	--
Business Innovative Research Grants	526,000	--	--	--
Special Projects	79,303	--	--	--
Commercialization Grants	1,526,539	--	--	--
Mid-America Manufact. Tech. Center	1,149,905	--	--	--
EPSCoR	3,400,000	--	--	--
Subtotal - KTEC	<u>\$ 13,332,322</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>
Kansas, Inc. - Agency Operations	\$ 160,376	\$ --	\$ --	\$ --
Department of Education *				
At-Risk/Innovative Program Assist.	\$ 1,485,000	\$ --	\$ --	\$ --
Matching Grants - AVTS	200,000	--	--	--
Postsecondary Aid - AVTS	6,570,000	--	--	--
Capital Outlay Aid - AVTS	1,650,000	--	--	--
Subtotal - Education	<u>\$ 9,905,000</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>
Dept. of Administration - Performance Review Board	\$ 150,000	\$ --	\$ --	\$ --
Pittsburg State University - Kansas Technology Center	\$ 1,000,000	\$ --	\$ --	\$ --
Wichita State University - Cessna Stadium	\$ 400,000	\$ --	\$ --	\$ --
Historical Society - Adair Cabin *	\$ 45,000	\$ --	\$ --	\$ --
State Fair - Agency Operations	\$ 95,000	\$ --	\$ --	\$ --
Dept of Human Res. - One Stop Career Center System	\$ 500,000	\$ --	\$ --	\$ --
State Water Plan Fund	\$ 2,000,000	\$ --	\$ --	\$ --
TOTAL TRANSFERS AND EXPENDITURES	\$ 45,685,458	\$ --	\$ --	\$ --
EDIF Resource Estimate				
Beginning Balance	\$ 3,791,189	\$ --	\$ --	\$ --
Gaming Revenues	42,500,000	--	--	--
Other Income	650,000	--	--	--
Total Available	<u>\$ 46,941,189</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>
Less: Expenditures and Transfers	45,685,458	--	--	--
ENDING BALANCE	\$ 1,255,731	\$ --	\$ --	\$ --

* - Does not include expenditures from prior year EDIF allocations.

SHaRP Budget Request for PeopleSoft Public Sector Release 6.0 Upgrade
February 3, 1997
Presenter: Department of Administration Cabinet Secretary Dan Stanley

Mr. Chairman and Members of the Committee:

Thank you for giving us time on your agenda to present a Governor's budget request for \$3.8 million to upgrade the State's PeopleSoft software for our SHaRP human resources and payroll system. I share your concern about why this request is needed so soon after SHaRP has been implemented. However, there are important financial and system stability reasons for the request which require consideration.

Today I have with me Don Heiman, our DISC Director. DISC took the system over in September 1995 approximately 3 months before SHaRP was implemented. Don's organization is responsible for maintaining the system. He will present to you information about the cost for the system and reasons for the upgrade.

Before he presents I would like to review with you the history of SHaRP. In 1992, Andersen Consulting was hired by the previous Administration to prepare a feasibility study on how to best replace the old KIPPS payroll system. The study was presented to the Governor, Cabinet, and Legislature in 1993. In summer and fall of 1993 a request for bid was prepared and a Project Director was hired. The project director reported to the Cabinet Secretary of the Department of Administration who chaired a Steering Committee for the project.

In April 1994 contracts were signed with PeopleSoft for the software and with Andersen Consulting to tailor the software to the State's needs. In May 1994 the project began. During the Fall of 1994 Andersen guided the Department's Division of Personnel Services and Accounts and Reports through process reengineering and the design of the system.

Appropriations
2-3-97
Attachment 2

In January 1995 the Grave's Administration took office. At that time, programming the system was underway. DISC built the network to support the system and installed the data center computers, storage, and tape systems for SHaRP. The Project Director was transferred to DISC in September 1995 and the SHaRP application development effort was completed under DISC management. Three months after the transfer the application went live. The first payroll check was produced on January 14, 1996.

DISC then took over responsibility for maintaining the system as Andersen staff phased down and DISC staff took over. In January 1997 the coding was completed for W-2's and related withholding statements. During the past 12 months the system has been stabilized and State staff fully trained to support the system.

The Regents maintain their own payroll and personnel systems which interface to SHaRP. SHaRP produces payroll from Regent's systems. SHaRP also produces W-2's from Regents provided data. KU and Kansas State use PeopleSoft and followed a development cycle similar to the cycle managed by the Department of Administration. The other Regents schools have in-house custom built payroll systems that interconnect to SHaRP. Attached to my presentation is a more detailed timeline of the significant events leading to the full implementation of SHaRP.

Mr. Chairman, at this point I would like to ask Don Heiman, DISC Director to explain the costs for SHaRP and the reasons for why we need to upgrade.

Don served as Acting DISC Director from January to August 1995. During that time he directed the building of the network, data centers, and infrastructure required to implement SHaRP. In September 1995 he became the permanent DISC Director and took over direction of the application shortly before it went live. His staff, as I mentioned earlier, maintains the system

on behalf of Accounts and Reports, Division of Personnel Services, and the agencies who use SHaRP.

Statewide Human Resources and Payroll System Timeline

October 1992 — December 1992	Andersen Payroll System Feasibility Study
January 1993 — April 1993	Present Feasibility Study Secretary, Dept of Administration Governor Cabinet Senate Ways and Means House Ways and Means Joint Committee on Computers & Technology Regents
June 1993 — November 1993	Develop and Release Request for Proposal
December 1993	Project Director Hired
January 1994 — April 1994	Evaluate Proposals
April 1994	Contract Signed with Andersen Consulting
April 1994	License Agreement Signed with PeopleSoft
April 1994	License Agreement Signed with Oracle
May 1994	Project begins
July 1994	Funding for SHaRP Granted
May 1994 — December 1994	Process Reengineering/Analysis Phase
December 1994 — June 1995	Detailed Design Phase
January 1995	Graves Administration Begins
February 1995 — October 1995	Network and Infrastructure Built
May 1995 — November 1995	Agency Equipment Rollout
September 1995	SHaRP Transferred to DISC
October 1995	UNIX Data Center Implemented
May 1994 — November 1995	Programming Phase
July 1995 — December 1995	SHaRP User Training
June 1995 — September 1995	Testing Phase
October 1995	Benefits Rollout
November 1995 — December 1995	Payroll Rollout/Implementation
January 12, 1996	First Paychecks Produced from System
January 1996 — June 1996	Post Implementation/Maintenance Transition
January 1997	First W2s Produced from System

SHaRP Budget Request for PeopleSoft Public Sector Release 6.0 Upgrade
February 3, 1997
Presenter: Don Heiman, DISC Director

Mr. Chairman and Members of the Committee:

Thank you for the opportunity to present our budget request for \$3.8 million to upgrade SHaRP, the State's newly installed payroll and human resources system. As the Secretary mentioned, DISC took over SHaRP in September 1995, four months before the system was implemented. At that time, the system was coded in PeopleSoft release 4.02. Our request is to implement PeopleSoft Public Sector release 6.0. This release will be available in March 1997.

PeopleSoft's announced strategy is to release new versions of their software every 12 months. Under this strategy, PeopleSoft will continue to support the old release for 18 months from the date of the next subsequent release. Thus, once a new release is issued we have approximately 30 months to move to the newest release. If we do not move to the newest release, then after the thirty month period, PeopleSoft will no longer support the old release. Lack of support means that the payroll system becomes increasingly unstable. For example...

- (1) PeopleSoft is not responsible for code failure and will not provide fixes to failed code on unsupported software;
- (2) Customers on unsupported releases can not use development updates to the software. These updates include current tax tables and special features related to changes in Federal law or regulations. Also, State withholding updates and tax tables for treaty agreements may not work on old release levels that are unsupported.
- (3) PeopleSoft hot line help are trained on supported releases and their knowledge of unsupported code is greatly reduced.

Appropriations
2-3-97
Attachment 3

As I mentioned earlier we are on release 4.02. This release level will be unsupported in March 1997. If we move to PeopleSoft Public Sector release 6.0, this release will be good until October 1999.

In addition to its release strategies, PeopleSoft also has a strategy for migrating to new releases. This strategy is known as a migration path. The migration path for release 4.02 ends at release 6.0. Thus, there is no migration path from 4.02 to any release after 6.0. If the migration path is not taken, then new releases must be installed as a new system. This is very expensive. For example, the cost to install and modify release 4.02 for Kansas was \$6.9 million. Loss of a migration path is also an important issue from the viewpoint of protecting our initial investment.

The following page compares the actual five year costs to the five year cost estimated by Andersen Consulting in their February 1993 feasibility study. This study was presented to the JCCT and Senate Ways and Means Committees when funding for SHaRP was approved.

The table shows that the five year costs were estimated at \$26,473,600 and the forecasted actual expenditure is \$29,020,662. The actual cost includes the price for the upgrade to release 6.0. The actual cost also includes \$3,231,805 for the network. This cost was not included in Andersen's study. If the network cost is added to Andersen's estimate, then the cost estimate and the actual forecasted costs are nearly the same. We have made every effort to manage to the estimated costs and we pledge to continue to maintain the system within the estimate presented to the legislature.

As I mentioned earlier, DISC took over the maintenance of the system shortly before SHaRP went live. We have learned how to maintain the system. However we must now encourage our users to stop requests for modifying SHaRP. Today I have over 500 requests for

modifications and system changes. These modifications make it very difficult and expensive to move to future release levels.

If we continue to modify SHaRP, then the cost to maintain the software increases dramatically. We have recommended to our users that they seek greater functionality through future releases of the software and that they align their practices to more closely correspond to the features of the released software. Nonetheless, we will continue to modify the software to accommodate legislative changes and significant administration initiatives.

Finally, PeopleSoft is a very popular package. For this reason, technicians trained in PeopleSoft are in short supply. Over the past month we have lost two technicians to the private sector. They received salary increases of over \$15,000 plus signing bonuses. Technicians are very difficult to find and expensive to train. The strategy to upgrade and “go vanilla” reduces our reliance on consultants and reduces the number of technicians we need to hire and train.

I propose that we install Public Sector release 6.0 and skip release 7.0. Then accept release 8.0 for install in 1999. This approach maximizes the amount of time we remain on older releases of supported software.

SHaRP payrolls 60,000 people every two weeks and it serves our State human resources needs. It is a functionally rich system and represents a significant State investment. Your support of our strategy to upgrade and move to a “vanilla” system insures the State will have a stable payroll system for the next seven (7) years. Your support also allows us to maintain the system with fewer staff and consultants over the next 15 years. Thank you for considering this funding request to help us maintain a stable mission critical payroll system. May I answer any questions.

SHaRP Five Year Project Costs (FY 1995 – FY 2000)

Cost Category	Andersen Study Feb-93	Actual Costs
Contractor costs to develop the system	\$10,213,800	\$7,412,952
System hardware and software	4,572,796	5,191,623
Agency hardware	709,950	313,027
Workstations for project team	51,750	231,519
Other support costs	38,000	505,900
Total Direct Costs	<u>\$15,586,296</u>	<u>\$13,655,021</u>
Cost of operating old system until the new was operational	5,631,300	3,119,992
Salaries of State agency employees assigned to project	3,476,200	4,057,357
Cost of 570 workstations used by State Agencies	983,250	816,991
Other installation costs	796,554	221,000
Total Indirect Costs	<u>\$10,887,304</u>	<u>\$8,215,340</u>
Grand Total Feasibility Study	\$26,473,600	\$21,870,361
Consulting support for W-2s	\$0	\$118,496
State Support for 6.0 upgrade	0	191,446
Consulting support for 6.0 upgrade	0	3,800,000
Total Post Implementation Support	<u>\$0</u>	<u>\$3,918,496</u>
Grand Total	<u>\$26,473,600</u>	<u>\$25,788,857</u>
Network Infrastructure Costs		
Network Routers, Hubs, Circuits	0	3,231,805
Total With Infrastructure Costs	<u>\$26,473,600</u>	<u>\$29,020,662</u>

Amounts Financed	Principal	Interest
Consulting	2,000,000	310,000
Infrastructure	869,270	143,987

If the state upgrades to Peoplesoft Public Sector release 6.0, approximately 700 microcomputers would need to be upgraded to Intel 486 chip, 100 MHz, with 16 Mb RAM and Windows 95 OS. Approximately 220 of these micro computers are in Accounts and Reports and Personnel Services. The costs of these upgrades are under analysis.