Core Systems Replacement Update

Joint Committee on Ways & Means
Subcommittee on General Government

March 10, 2015

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Agenda

- Overview

- Business drivers

- Rollout 1 keys to success

- Rollout 2 status update

- Budget

  - 13–15 status update

  - 15–17 request

- Questions

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Project Overview

- Business Case

  - Avoid risk and improve performance.

  - Commercial off-the-shelf solution (COTS)—most viable.

CSR Project Roadmap

Jul 2013 - Dec 2013
Project Initiating
& Planning Phases

Jan 2014 - Dec 2017
Project Executing Phase

Jan 2018 – Jun 2019
Contract Maintenance &
Project Closing Phase

7/2013

2014

2015

2016

2017

2018

2019

6/2019

2014
Rollout 1
Corporation and
Tobacco Tax
Programs

2015
Rollout 2
Personal,
Transit Self-Employment,
Deferral and Estate Tax
Programs

2016
Rollout 3
Withholding,
Transit Payroll,
OAA and
Small Programs

2017
Rollout 4
Remaining
Programs

- Execution

  - Implement GenTax integrated tax system & data warehouse.

  - Replaces two-thirds of our core systems.

  - Estimated cost: $81 million (bonds and General Fund).

    - $65 million implementation costs.

    - $9 million finance cost; $7 million readiness.

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Business drivers for new system

- Avoid risk
  - Reinvest in application infrastructure.
  - Maintain current revenue streams.

- Improve performance
  - Enhanced compliance and revenue.
  - Increased efficiency.
  - Improved customer experience.
  - Increased flexibility in tax administration.

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Legacy System

New System—GenTax (Mock Data)

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What we have learned

- Get the most out of our legacy systems.

- We are creative at working around the constraints in our existing applications and business processes.

- Over time, we are facing risks of not being able to maintain expected current and future revenues.

- We are not alone—two-thirds of states' revenue agencies have modernized, or are in the process of modernizing their systems in the past 10 years.

- Opportunities to improve our performance.

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Where we are going

- Reduce risks to long-term revenue generation.

- Take advantage of a growing international community of best practices and information sharing.

- Further standardize our business processes; make better use of operating level data.

- Provide services customers expect.

- Increase our flexibility to respond quickly and economically to law changes and taxpayer behavior.

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How we are getting there

- Conducted extensive research from other states, agencies, and industry.

- Developed a business case—commercial off-the-shelf (COTS) solution.

- Developed enterprise architecture plan, documented business requirements, and mapped business processes.

- Developed program and data management plans.

- Executing an IT readiness plan and transformation efforts.

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Rollout 1 Review

- All relevant scope requirements met for Rollout 1.
    - All necessary data converted to new system.
    - Appropriate legacy systems retired, or partially retired, and synchronized with new system.
    - All functionality in new system to administer programs.
    - No customization of GenTax.
- Went live on schedule November 12, 2014.
    - All systems (new and old) working as planned.
    - Corporation, Cigarette, and Tobacco now in production.
- Under budget.

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Effects of GenTax

- In addition to our existing requirements, GenTax allows additional functionality, including:
  - Real time processing.
  - Risk scoring (refund review).
  - View exact copy of correspondence.
  - Enhanced online services.
  - Drill down features from multiple screens.
  - View original and amended returns.

- System is complex which requires us to do some work differently (e.g. exporting data out of GenTax).

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Keys to Success for Rollout 1

Keys to rollout success

Commitment to planning and keeping to those plans.

Trusted partnerships.

Competent vendor.

Attention to detail.

Multiple mock data conversions.

Benefits of a COTS solution.

Functional "staging" environment.

Improving based on lessons learned.

Commitment to industry best practices.

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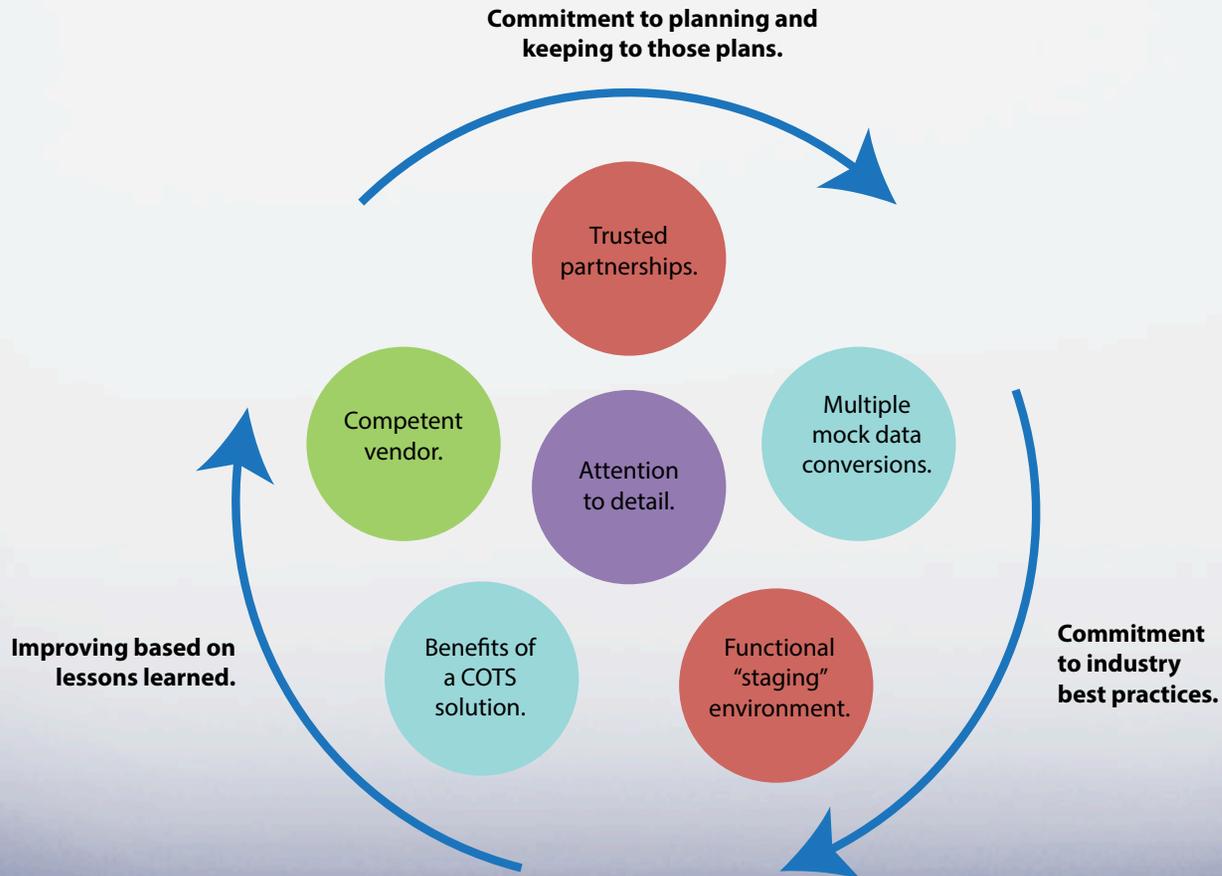
Rollout 2 Status Update

- Scope requirements being identified for Rollout 2.
  - Personal Income,
  - Self-Employed Transit,
  - Estate and Trust,
  - Senior and Disabled Deferral, and
  - Emergency Communications.

- Goal to avoid customization of GenTax if possible.

- Scheduled to go live this fall.

- Budget looks good if 2015 request is approved.

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2013-15 Budget Status

FY13–15 (As of December 31, 2014)					
	Legislatively Approved Budget Scheduled FY 13–15	Actual Expenditures July 13 thru Dec-14	Forecasted Expenditures Balance of FY 13–15	Total Estimated Expenditures FY 13–15	Variance from LAB Scheduled ($)	Variance from LAB Scheduled (%)
On-Going DOR Operating Budget Totals	$ 844,095	$ 453,277	$ 211,024	$ 664,301	$ (179,794)	-21%
Project General Fund Totals	$ 3,137,432	$ 1,627,780	$ 419,800	$ 2,047,580	$ (1,089,852)	-35%
Project Other Fund Totals	$ 24,228,818	$ 15,313,599	$ 3,573,996	$ 18,887,594	$ (5,341,224)	-22%
PROJECT TOTALS	$ 28,210,345	$ 17,394,656	$ 4,204,819	$ 21,599,475	$ (6,610,870)	-23%

- Spending remains under budget.

- General Fund savings from lower than expected ETS costs.

- Other Fund savings from:
  - Not using available contingency funds;
  - Lower than expected hardware and software costs; and
  - Lower staff costs due to later start date.

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2015–17 Budget Request

CSR project costs (in millions), as of December 2014

	2009–13	2013–15	2015–17*	2017–19	Totals
DOR contribution					
Ongoing agency operating costs	$7.3	$0.7	$0.9	$0.3	$9.1
General Fund					
Non-bond eligible general services/supplies		$0.2	$0.2	$0.1	$0.5
Project costs		$1.8	$4.2	$1.5	$7.5
Total General Fund		$2.0	$4.4	$1.6	$8.0
Other Funds (bonds)					
Debt financed project costs		$18.9	$26.7	$9.1	$54.7
Project totals (excluding debt service)	$7.3	$21.6	$32.1	$10.9	$71.8

Note: Component figures may not total accurately due to rounding.
*Agency Requested Budget

- Requesting one additional FTE for data conversion.
  - 36 total for 2015–17 biennium dedicated to project full-time.

- Requesting roughly $200,000 in additional funding for facilities.
  - Received $700,000 in 2013–15 (included furnishings).
  - Need $500,000 for 2017–19 ($200,000 more than anticipated).

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Looking Ahead to 2017

- We'll present a package to true-up resource needs.
  - Ongoing maintenance and support (est. $8 million per biennium).
  - Staffing alignment.
    - Proper classification.
    - Adequate coverage.

- May present new opportunities.
  - Enhance compliance.
  - Improve service.

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Questions?

If you have additional questions after today please contact:

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