

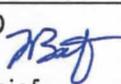
STATE OF CALIFORNIA
 Budget Change Proposal - Cover Sheet
 DF-46 (REV 08/15)

Cal Year 2016-17	Business Unit 0840	Department State Controller's Office	Priority No.
Budget Request Name 0840-001-BCP-BR-2016-GB 0840-019-BCP-BR-2016-GB		Program 0500300-PERSONNEL PAYROLL SERVICES	Subprogram

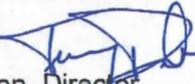
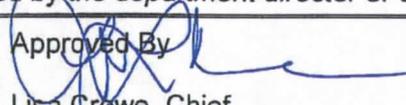
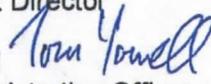
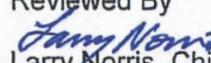
Budget Request Description
 21st Century Project Legal Efforts

Budget Request Summary

The State Controller's Office (SCO) requests \$4,832,000 (\$3,860,000 Special Funds and \$972,000 reimbursements) in 2016-17 one-year limited-term funding to support 8.0 positions for 6 months (4.0 PY equivalent) to support on-going legal activities as a result of the 21st Century Project.

Requires Legislation <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No	Code Section(s) to be Added/Amended/Repealed GC 12432	
Does this BCP contain information technology (IT) components? <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No <i>If yes, departmental Chief Information Officer must sign.</i>	Department CIO  Todd Boltjes, Chief Information Systems Division	Date 10/15/15
For IT requests, specify the date a Special Project Report (SPR) or Feasibility Study Report (FSR) was approved by the Department of Technology, or previously by the Department of Finance. <input type="checkbox"/> FSR <input checked="" type="checkbox"/> SPR Project No. 0840-70 Date: 11/15/11		

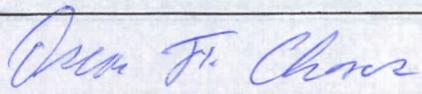
If proposal affects another department, does other department concur with proposal? Yes No
 Attach comments of affected department, signed and dated by the department director or designee.

Prepared By  Tony Davidson, Director 21 st Century Project	Date 10/15/15	Approved By  Lisa Crowe, Chief Personnel/Payroll Services Div.	Date 10/15/15
Department Director  Tom Yowell Chief Administrative Officer	Date 10-15-15	Reviewed By  Larry Norris, Chief Admin and Disb. Division	Date 10/14/15

Department of Finance Use Only

Additional Review: Capital Outlay ITCU FSCU OSAE CALSTARS Dept. of Technology

BCP Type: Policy Workload Budget per Government Code 13308.05

PPBA 	Date submitted to the Legislature 11/7/16
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BCP Fiscal Detail Sheet

BCP Title: 21st Century Project Legal Effort

DP Name: 0840-001-BCP-DP-2016-GB

Budget Request Summary

	FY16					
	CY	BY	BY+1	BY+2	BY+3	BY+4
Positions - Permanent	0.0	4.0	0.0	0.0	0.0	0.0
Total Positions	0.0	4.0	0.0	0.0	0.0	0.0
Salaries and Wages						
Earnings - Permanent	0	358	0	0	0	0
Total Salaries and Wages	\$0	\$358	\$0	\$0	\$0	\$0
Total Staff Benefits	0	184	0	0	0	0
Total Personal Services	\$0	\$542	\$0	\$0	\$0	\$0
Operating Expenses and Equipment						
5301 - General Expense	0	8	0	0	0	0
5304 - Communications	0	5	0	0	0	0
5322 - Training	0	5	0	0	0	0
5324 - Facilities Operation	0	1,118	0	0	0	0
5340 - Consulting and Professional Services - External	0	1,495	0	0	0	0
5344 - Consolidated Data Centers	0	1,646	0	0	0	0
5346 - Information Technology	0	13	0	0	0	0
Total Operating Expenses and Equipment	\$0	\$4,290	\$0	\$0	\$0	\$0
Total Budget Request	\$0	\$4,832	\$0	\$0	\$0	\$0

Fund Summary

Fund Source - State Operations						
0001 - General Fund	0	0	0	0	0	0
0494 - Other - Unallocated Special Funds	0	3,860	0	0	0	0
0995 - Reimbursements	0	972	0	0	0	0
Total State Operations Expenditures	\$0	\$4,832	\$0	\$0	\$0	\$0
Total All Funds	\$0	\$4,832	\$0	\$0	\$0	\$0

Program Summary

Program Funding						
0500300 - Personnel/Payroll Services	0	4,832	0	0	0	0
9900100 - Administration	0	59	0	0	0	0
9900200 - Administration - Distributed	0	-59	0	0	0	0

Personal Services Details

Positions	Salary Information			CY	BY	BY+1	BY+2	BY+3	BY+4
	Min	Mid	Max						
1312 - Staff Info Sys Analyst (Spec) (Eff. 07-01-2016)				0.0	0.5	0.0	0.0	0.0	0.0
1373 - Sys Software Spec II (Tech) (Eff. 07-01-2016)				0.0	0.5	0.0	0.0	0.0	0.0
1387 - Dp Mgr IV (Eff. 07-01-2016)				0.0	0.5	0.0	0.0	0.0	0.0
4800 - Staff Svcs Mgr I (Eff. 07-01-2016)				0.0	1.0	0.0	0.0	0.0	0.0
4802 - Staff Svcs Mgr III (Eff. 07-01-2016)				0.0	0.5	0.0	0.0	0.0	0.0
5393 - Assoc Govtl Program Analyst (Eff. 07-01-2016)				0.0	0.5	0.0	0.0	0.0	0.0
7500 - C.E.A. (Eff. 07-01-2016)				0.0	0.5	0.0	0.0	0.0	0.0
Total Positions				0.0	4.0	0.0	0.0	0.0	0.0
Salaries and Wages				CY	BY	BY+1	BY+2	BY+3	BY+4
1312 - Staff Info Sys Analyst (Spec) (Eff. 07-01-2016)				0	37	0	0	0	0
1373 - Sys Software Spec II (Tech) (Eff. 07-01-2016)				0	45	0	0	0	0
1387 - Dp Mgr IV (Eff. 07-01-2016)				0	54	0	0	0	0
4800 - Staff Svcs Mgr I (Eff. 07-01-2016)				0	76	0	0	0	0
4802 - Staff Svcs Mgr III (Eff. 07-01-2016)				0	48	0	0	0	0
5393 - Assoc Govtl Program Analyst (Eff. 07-01-2016)				0	35	0	0	0	0
7500 - C.E.A. (Eff. 07-01-2016)				0	63	0	0	0	0
Total Salaries and Wages				\$0	\$358	\$0	\$0	\$0	\$0
Staff Benefits									
5150900 - Staff Benefits - Other				0	184	0	0	0	0
Total Staff Benefits				\$0	\$184	\$0	\$0	\$0	\$0
Total Personal Services				\$0	\$542	\$0	\$0	\$0	\$0

Analysis of Problem

A. Budget Request Summary

The State Controller's Office (SCO) requests \$4,832,000 (\$3,860,000 Special Funds and \$972,000 reimbursements) in 2016-17 one-year limited-term funding to support 8.0 positions for 6 months (4.0 PY equivalent) to support on-going legal activities as a result of the 21st Century Project. Additionally, minimal maintenance of the MyCalPAYS (MCP) payroll system is required to pursue the State's legal claim for the losses incurred and that will be incurred due to the vendor's abandonment of its contractual obligation to produce the MCP system.

B. Background/History

The SCO is responsible for issuing pay to employees of the State civil service, California State University (CSU) and Judicial Council. There are currently over 150 departments and 24 CSU campuses in the State of California. The State workforce is comprised of approximately 284,000 employees, represented by 21 State civil service bargaining units and 13 CSU bargaining units. Employees are located throughout California and in other states, and range from elected officials, managers and supervisors, and higher education faculty, to rank and file workers in a variety of occupations.

In May 2004, the Department of Finance (DOF) approved the Feasibility Study Report (FSR) for the 21st Century Project. The FSR established that the existing Human Resource Management System (HRMS)/payroll systems operated by the SCO were outdated and did not meet the needs of today's government. Based on this approval, the SCO initiated a two-phased procurement process. The purpose of the first procurement was to select a commercial off the shelf (COTS) software product to support the State's human resource management needs; the second phase was to secure the services of an experienced integrator to implement the COTS solution.

In April 2005, the software procurement was finalized and SAP was selected as the COTS software for the State's new HRMS/payroll system, MCP. The second phase of the procurement process began in May 2005 with the release of a Request for Proposal (RFP) for systems integrator services. In June 2006, the contract was awarded to BearingPoint. As the prime contractor, BearingPoint had overall responsibility for implementing the solution.

In January 2009, the State terminated the contract with BearingPoint for failure to meet contractual commitments. The SCO, working in conjunction with its stakeholders, developed a go-forward strategy to complete the implementation of MCP. The go-forward strategy was documented in Special Project Report (SPR) 3 and approved by the Office of the State Chief Information Officer (OCIO) in May 2009. The detailed procurement strategy was documented in the Information Technology Procurement Plan (ITPP) that was submitted and approved by the Department of General Services (DGS) in February 2009. In March 2009, DGS issued an RFP SCO-22191058 for a new system integrator. Upon conclusion of the two-stage procurement and evaluation process, SAP Public Services, Inc. was selected for contract award.

SPR 4 was approved on December 16, 2009 and the contract with SAP Public Services, Inc. was approved by DGS on February 2, 2010. The accepted strategy of SPR 4 consisted of a complete build of the MCP system, followed by an SCO-only pilot, followed by a second larger pilot, and then the implementation of three sequential "waves" of departments of as many as 85,000 employees each. When the contract was executed a month later than anticipated in the final proposal, a decision was made to combine the two pilots and deploy them on the second pilot's go-live date, September 2011, as documented in the March update to SPR 4.

In early 2011, it became evident the existing conversion methodology to extract, transform and load the legacy data into the SAP system was not working, and that it would not be feasible for converting the large employee populations planned for each wave. A re-planning effort in April and May 2011 concluded that a September 2011 go-live, for even a reduced population, was not viable. SPR 5 (Approved March 9, 2012) recommended extending the project for one additional year. The roll-out of Pilot 1 (June 2012) would include only the SCO and would demonstrate whether the system functioned as contractually and legally required and, if not, allow for a window of time to address any issues while ensuring that any risk of payroll errors would be limited to only the employees of the State Controller. The SCO population was selected to manage system rollout with limited

Analysis of Problem

risk given the SCO's small employee population, representing roughly one half of one percent (0.5%) of the ultimate State employee population to be paid using the new system. Pilot 2 would follow three months later adding just 10,000 new State employees to the system to ensure it worked for a population significantly larger than that of Pilot 1, but still small relative to the total State employee population to be served by the system. Pilot 2 would then be followed by a phased deployment of the remaining departments in three successive waves, assuming the system worked.

In June 2012, the SCO deployed Pilot 1 of the MCP system. The pilot revealed a significant volume of troubling errors. The SCO worked with SAP in good faith to go through the errors and ensure that SAP was addressing them as contractually required. SAP did not cure the issues as required and, in October 2012, the SCO issued a cure letter to compel SAP to fulfill its contractual obligations. While the SCO hoped SAP would successfully cure its system's failure to deliver an accurate, stable, and reliable payroll, SAP failed to cure as contractually required and, instead, responded in November 2012 by refusing to acknowledge any responsibility for the errors with the system. For the next several months errors in pay produced by the payroll system continued and SAP failed to provide the SCO a viable recovery plan to address them. Consequently, in February 2013, SAP's failure to meet its contractual obligation to cure left the State with no choice but to terminate the contract with SAP as the system integrator for the MCP system.

In June 2013, the SCO and SAP participated in contractual mediation. After it became clear that the mediation process was at an impasse, it was ended. On November 21, 2013, the SCO filed a lawsuit against SAP for breach of contract.

SAP's failure to fix the MCP system as contractually required, and the resulting State termination of the MCP system integrator contract, required the SCO to incur costs to: (i) migrate all Pilot 1 employees back into the State's legacy payroll system; undertake the "Do the Math" project to ensure all Pilot 1 employees and interface partners were paid accurately during the eight months MCP was in operation; (ii) maintain elements of the MCP system to preserve the State's payroll records for the eight months the system produced payroll for the SCO employees; (iii) incur costs to minimize the MCP system in order to reduce long term avoidable infrastructure and technology costs associated with maintaining the entire MCP system; and (iv) pursue SAP for damages to recover the State's losses for SAP's failure to perform, protect related State interests and prepare the State to responsibly defend against counter-claims and damages alleged by SAP.

On April 14, 2014 SAP countersued the SCO. Pre-litigation activities during the discovery phase include responding to SAP discovery requests, preparation for depositions and trial. Currently, the legal team is focused on deposing SAP personnel and defending depositions of state staff involved with the project as well as reviewing project artifacts and SAP documents not provided to the SCO during the project. The discovery phase is anticipated to last until September 30, 2015. From October 2015 through May 2016, the legal team will prepare the case for trial. The case is scheduled for trial on May 23, 2016.

Due to increased legal costs, the SCO submitted a Provision 14 request (current year deficiency), for \$2.918 million on October 16, 2015.

Over the lifespan of the 21st Century Project \$299.5 million has been expended (refer to Attachment I - Historical Cost).

Resource History (Dollars in thousands)

Program Budget	2010-11	2011-12	2012-13	2013-14	2014-15
Authorized Expenditures	-	-	\$2,160	\$6,147	\$14,779
Actual Expenditures	-	-	\$2,160	\$6,147	\$14,779
Revenues	-	-	-	-	-
Authorized Positions	-	-	5.5	9.2	5.0
Filled Positions	-	-	5.5	9.9	5.0
Vacancies	-	-	0.0	0.0	0.0

Analysis of Problem

Workload History

Workload Measure	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16
N/A	-	-	-	-	-	-

C. State Level Considerations

Should the State not pursue its remedies, including recovery of the amounts due under the contract, SAP may prevail in its countersuit against the State claiming that the contract termination was for convenience instead of cause. A termination for convenience is not justified given SAP's actions and would likely cost the State tens of millions of dollars under the contract, yet SAP has reportedly stated that it will seek this redress from the State. Additionally, the contract provides the State with the ability to recover up to 1.5 times the contract amount, or up to approximately \$156 million.

D. Justification

Legal Support (At the Direction of Counsel)

Concurrent with the contract termination, the California Department of Technology (CalTech) suspended the 21st Century Project. The State is now back to relying on its 1970s-era legacy systems and has not achieved the benefits envisioned of the new system. Additionally, the State is uncertain of the value of its investment or whether it can be used in the future. As result of SAP's breaches of the contract, the State has suffered losses in the amounts already paid to SAP and in the amounts that have been and will be spent to address the State's needs in the absence of the system SAP was supposed to deliver. It is in the best interest of the State that SAP be held accountable for its failed delivery of a functioning payroll system, its refusal to cure issues with the system as contractually required, and its failure to meet other obligations under the terms of the contract. In order to recover what is due the State, the SCO must take the steps necessary to prepare its claims so that it can demonstrate in the litigation where and how SAP breached the contract despite its claims that it delivered a working payroll system.

Through an approved 2015-16 Budget Change Proposal (BCP) the SCO received 8.0 positions (5.0 continuing and 3.0 new) to fund legal and related costs. This funding will expire on June 30, 2016, yet the State must continue to support its legal position until a settlement is reached or a lawsuit is adjudicated. With the trial date scheduled for May 2016, it is anticipated that continued support from the TFC team will be required in 2016-17. Therefore the SCO is requesting funding for 8.0 resources for 6 months (4.0 PY equivalent) in 2016-17 to support the legal effort. Detailed duties of these positions are contained in Attachment II – Workload Justification.

Increased Legal Costs

Costs associated with outside legal counsel, experts and consultants have increased due to a larger than anticipated volume of documents for discovery, and the additional time spent in preparing for depositions based upon this much larger document set, as well as repeated delays and cancellations of previously planned depositions. Most recent cost estimates include increased expenditures for 2014-15 and 2015-16. These increases are detailed in the table below:

Analysis of Problem

21st Century Legal Efforts - Outside Legal Cost Estimates				
	Fiscal Year	Authority/ Estimate	Adjustment¹	Revised Estimate
Actuals	2012-13	\$ 1,470,000	\$ -	\$ 1,470,000
Actuals	2013-14	\$ 4,930,000	\$ -	\$ 4,930,000
Projections	2014-15	\$ 10,750,000	\$ 1,115,000	\$ 11,865,000
Projections	2015-16	\$ 7,300,000	\$ 1,803,000	\$ 9,103,000
Projections	2016-17	\$ 1,495,000	\$ -	\$ 1,495,000
Totals		\$ 25,945,000	\$ 2,918,000	\$ 28,863,000
¹ The adjustments for 2014-15 and 2015-16 have not been funded and have been requested through a 2015-16 Provision 14 request.				

The cost increases are due to the following, which are attributed primarily to SAP:

- 1) Deposition Schedule Extended – a request to extend the deposition schedule and trial date was submitted. The deposition schedule was extended by one month but the trial date extension was not granted. The most recent request was submitted in July 2015.
- 2) Scope of Deponents Expanded to Other State Officials and Third Parties – beginning in April 2015 depositions were taken from other state officials and third party consultants.
- 3) Number of Depositions Increased Dramatically – the rate of depositions in the last four months (May 2015-August 2015) has more than doubled (47 days) the rate of depositions in the initial months of litigation (November 2014-February 2015) (18 days).
- 4) Costs of Preparing for and Taking Depositions Driven Up – the cost of preparing for depositions has increased due to previously scheduled depositions being postponed (in most cases preparation is done twice, once for the original date and then refreshed for the rescheduled date, which can be several months apart), as well as some depositions being scheduled in multiple states.
- 5) Public Records Act (PRA) to Expand Discovery – multiple PRA requests and subpoenas to third party State agencies and consultants have been submitted, requiring outside counsel to prepare for and participate in these depositions.
- 6) Document Volumes Increased Significantly – the volume of documents produced has increased from the original estimate of two million pages to a current count of over nine million.
- 7) Delivery of Critical Documentation is Delayed – key documents are being withheld until multiple requests for them are submitted. This requires last-minute preparation and counsel review right before a deposition.

E. Outcomes and Accountability

With the requested funding, the SCO will continue to defend the State's position in litigation against SAP. While it is premature to estimate the outcome of the current lawsuit between the State and SAP, as well as how much the State might recover, per the negotiated contract, the State has the ability to recover up to 1.5 times the total contract amount, or up to approximately \$156 million.

Projected Outcomes

Workload Measure	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21
N/A	-	-	-	-	-	-

F. Analysis of All Feasible Alternatives

Alternative 1: Provide the SCO with \$4,832,000 (\$3,860,000 Special Funds and \$972,000 reimbursements) in 2016-17 one-year limited-term funding to support 8.0 positions for 6 months (4.0 PY equivalent) to support on-going legal activities.

Analysis of Problem

Pros:

- Enables the SCO to support legal activities in 2016-17 in pursuit of holding SAP accountable for its failed performance and to protect the interests of the State and its taxpayers.
- If the State prevails, the contract provides the State with the ability to recover up to 1.5 times the contract amount, or up to approximately \$156 million.

Cons:

- Requires resource and fund support for a one-year limited-term.

Alternative 2: Deny this request for support of on-going legal costs.

Pros:

- No increased resources.

Cons:

- The State would forego its opportunity to recover damages for SAP's breach of contract.
- If the SCO were not to pursue litigation, SAP would likely prevail in its countersuit against the State claiming that the SCO terminated the contract for convenience. Such litigation could put the State at risk for the payment of substantial amounts, as provided in the contract in the event of a termination for convenience.
- The contract provides the State with the ability to recover up to 1.5 times the contract amount, or up to approximately \$156 million that the State would be unable to pursue.

G. Implementation Plan

Staff is currently supporting the legal team and will continue these efforts through the legal process.

H. Supplemental Information

Operating Expenses and Equipment

In addition to the SCO standard OE&E complement, funding for Facilities, Consulting and Professional Services, and Data Center Services are included within this request.

Facility/Capital Costs – Approval of this request will fund lease obligations within 300 Capitol Mall.

2016-17 Facilities	Project Space (8 staff)	Reimbursable Sub-Leasing	Total Obligated
TFC Space Requirements	3,893	25,692	29,585
Capitol Mall (avg. \$3.07/sq. ft.)	\$143,000	\$952,000	\$1,095,000
DGS Surcharge Fees (2.07%)	\$3,000	\$20,000	\$23,000
Total Facilities Costs	\$146,000	\$972,000	\$1,118,000

Of the obligated 29,585 sq. feet 3,893 sq. feet is required to accommodate the 8.0 Project staff (based on an average of 250 sq. ft. per person), plus a storage room required to store project documents. The remaining 25,692 sq. feet will be sub-leased through the Capitol Mall property owners. Maintaining the 25,692 sq. feet will allow the SCO to ramp up and utilize space in close proximity to existing SCO operations, once the future payroll and human resource system is selected and the project ramps up. Therefore, \$146,000 of Project funding and \$972,000 in non-Project reimbursement authority is required.

Consulting and Professional Services: External (C&P External) –

TFC Project Contracts	2014-15	2015-16	2016-17
Outside Legal Counsel, Experts and Consultants	\$1,115,000	\$1,803,000	\$1,495,000
Total External Contracts	\$1,115,000	\$1,803,000	\$1,495,000

Analysis of Problem

- *Outside Legal Counsel, Experts and Consultants* - Outside legal counsel will support the SCO as it works to pursue every contractual and legal option available to hold SAP accountable for its failed performance and to protect the interests of the State and its taxpayers. Outside legal costs are also anticipated to include efforts to defend against claims by SAP against the SCO and against claims or efforts by SAP to deter material witnesses from testifying on behalf of the SCO.

Data Center Services – Funds are requested for data center services and infrastructure requirements to support MCP for legal activities. Specific MCP environments are needed to support the lawsuit filed against SAP for evidence and validation of the SCO's position. The MCP infrastructure that remains is hosted at the data center. Data Center services costs to support a maintenance environment level are estimated as follows:

California Department of Technology Services	2015-16 Estimated Cost (Informational Only)	2016-17 Estimated Cost (Included in Request)
System of Record Environment	\$906,980	\$624,000
NonLegal SAP Environment	\$846,380	\$720,000
Legal Non SAP Environment	\$266,640	\$302,000
Total	\$2,020,000	\$1,646,000

Project funding

Funding for the life of the project comes from four sources; SCO reimbursements, redirects, non-general fund (Special and Non-Governmental) assessments and the General Fund. This funding strategy was approved at the inception of the Project to be in place through the completion. The funding strategy recognizes that funding sources used for supporting all statewide positions should pay for a portion of the project costs. The project funding plan authorizes the SCO to charge non-general fund (Special and Non-Governmental) and General Fund sources each for up to 50 percent of the project's costs not covered by reimbursement and redirected funding. The non-general fund sources are charged a fee based on the number of payments issued from the SCO payment history system.

Attachment III provides the necessary extension to Government Code section (GC 12432) in order to continue this funding structure past June 30, 2016).

I. Recommendation

Approve Alternative 1 and provide the SCO \$4,832,000 (\$3,860,000 Special Funds and \$972,000 reimbursements) in 2016-17 one-year limited-term funding to support 8.0 positions for 6 months (4.0 PY equivalent) to support on-going legal activities and protect the State's legal interests.

21st Century Project
Historical Cost/Funding Display

Fiscal Year	Actual Project Costs												Estimated Project Costs		Total
	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17	
One-Time Cost	\$1,410,907	\$4,916,822	\$11,563,922	\$34,664,697	\$16,203,556	\$18,796,036	\$28,084,958	\$68,043,106	\$65,180,033	\$20,788,621	\$12,583,185	\$14,771,541	\$12,467,000	\$3,037,000	\$289,513,659
Continuing Costs	\$0	\$0	\$0	\$1,119,957	\$2,828,790	\$3,821,013	\$5,307,694	\$7,686,431	\$7,669,419	\$389,079	\$1,997,779	\$1,158,845	\$2,050,000	\$823,000	\$35,181,967
Performance Bond Rec. Offset	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	(\$2,772,000)
TOTAL PROJECT BUDGET	\$1,410,907	\$4,916,822	\$11,563,922	\$35,804,654	\$19,132,306	\$18,617,051	\$31,372,653	\$63,699,537	\$63,109,452	\$21,128,000	\$14,580,934	\$15,930,387	\$14,547,000	\$3,860,000	\$317,923,626
SOURCES OF FUNDING															
General Fund	\$0	\$0	\$0	\$16,078,717	\$9,940,300	\$12,861,482	\$16,218,956	\$26,437,019	\$33,759,000	\$3,842,681	\$11,943,000	\$13,882,546	\$7,326,000	\$0	\$155,887,900
Performance Bond Recovery (GF)	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	(\$2,772,000)
Redirection	\$462,942	\$1,120,318	\$1,364,749	\$1,205,000	\$1,177,601	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Reimbursements	\$947,965	\$944,089	\$1,010,582	\$571,293	\$483,784	\$1,168,001	\$968,198	\$947,897	\$928,482	\$804,619	\$1,001,000	\$388,996	\$758,000	\$0	\$8,320,607
Federal Funds	\$0	\$399,422	\$1,372,787	\$2,420,812	\$346,773	(\$909,000)	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$3,630,774
Special Funds	\$0	\$2,453,000	\$7,835,944	\$13,830,849	\$8,973,898	\$8,886,868	\$14,189,806	\$34,314,621	\$28,442,000	\$16,680,300	\$1,636,934	\$1,658,845	\$6,462,000	\$3,060,000	\$144,722,502
PROJECT BUDGET	\$1,410,907	\$4,916,822	\$11,563,922	\$35,804,654	\$19,132,306	\$18,617,051	\$31,372,653	\$63,699,537	\$63,109,452	\$21,128,000	\$14,580,934	\$15,930,387	\$14,547,000	\$3,860,000	\$317,923,626
*Total Project Funding Request	\$947,965	\$3,796,507	\$10,219,173	\$34,599,654	\$17,954,707	\$19,619,051	\$31,372,653	\$63,699,537	\$63,109,452	\$21,128,000	\$14,580,934	\$15,930,387	\$14,547,000	\$3,860,000	\$315,385,019
Reversion	\$0	\$0	\$0	\$0	\$20,801,598	\$13,267,746	\$0	\$1,867,632	\$0	\$58,200,000	\$0	\$449,311	N/A	N/A	\$94,526,287

*Does not include the Redirection costs or Performance Recovery

† The 2016-17 funding split may change depending on the final costs associated with the BCP.

\$411.2 million has been authorized for expenditure (Total Project Budget through 2015-16 \$313,917,626 (\$316,635,626-\$2,918,000 for CY request not currently authorized) + Performance Bond Rec. Offset \$2,772,000 + Reversion \$94,526,287).

21st Century Project Legal Efforts

Workload Description	New Annual Increased Workload/ Task	Annual Hours per Task	Total Increased Hours	Number of Positions	Number of Requested Positions
Classification: Chief, Information Systems Division (Project Director)					
Major responsibility: The Project Director ensures the overall success of the project, including effectiveness of the project's governance structure, strategic direction, integration with departmental goals and objectives, and stakeholder support.					
> Provide leadership to the 21 st Century Project Management team and a variety of project support vendors, and policy direction/development towards the implementation of MyCalPAYS, which includes the following: Act as the initial escalation point for contractual issues that cannot be resolved by the Project Manager; Chair the 21 st Century Project's Change Control Board; Ensure the project objectives remain consistent with departmental goals and objectives; In conjunction with the Division Chief, Personnel/Payroll Services Division, provide coordination and oversight of policy decisions affecting the 21 st Century Project; Ensure transitional planning to the operations/maintenance phase is performed timely.	6	55	330	0.2	-
> Oversee and monitor the activities/tasks of the project team (state and contractor staff) to ensure the project is delivered within the scope, schedule, resource and quality objectives identified in the 21 st Century Project Charter, which includes the following: Review mitigation and contingency plans for critical project risks; Provide oversight of project communications to ensure internal and external stakeholder communication needs are met; Approve any changes to project scope that will impact the overall project cost or major project milestones.	6	55	330	0.2	-
> Represent the 21 st Century Project and the SCO with various state agencies, stakeholder meetings, legislative hearings, oversight committees, and in meetings with the SCO Executive Office, which includes the following: Communicate objectives, scope, impacts, milestones, issues, risks, and other information to relevant stakeholders, project team members, SCO Executive Office, and Legislative staff; Provide consultation and strategic advice to executive level managers, and lead strategic discussions with the project's Steering Committee; Present updates on project activities in meetings with SCO Executive Office and key project stakeholders; Provide updates to the State Controller and/or his/her designee.	6	20	120	0.1	-
> Attend high-level staff meetings, which include, but will not be limited to legislative hearings, budget committee meetings, division chief meetings, etc. Maintain effective communication and working relationships with other division chiefs within the SCO; Represent the 21 st Century Project at departmental meetings.	6	20	120	0.1	-
TOTAL: Chief, Information System Division (Project Director)	24	150	900	0.6	0.5
Classification: Data Processing Manager IV					
Major responsibility: Is responsible for providing direction and decisions for the technology planning. Provide direction, develop project planning, coordinate, communicate and lead the Team in the Technical activities of the project.					
> Plans, directs, guides, and oversees the day-to-day internal activities that support the Legal effort, and assists in the development of the project schedule and other work plans. Provide input and direction to staff and peers in the support of Legal efforts.	6	89	534	0.3	-
> Meet regularly with the Project Director to provide project status, technical input and recommendations for the effort's priorities, including change to scope, scheduling issues and other sensitive policy and technical issues. Represent the SCO as an expert consultant at meetings with high level State officials and departmental management.	6	10	60	-	-
> Legal Discovery: Respond to Legal requests for discovery and trial. This requires a manual search and review of all emails pertinent MyCalPAYS and the Project for three (3) years of emails, LAN folders, and hard copy documentation. Separate all confidential documents for redaction.	6	50	300	0.2	-
TOTAL: Data Processing Manager IV	18	149	894	0.5	0.5
Classification: Staff Services Manager III					
Major Responsibility: Under the general direction of the Project Director the incumbent is responsible for identifying and providing the State's legal team with project artifacts, explaining technical jargon, and supporting with documentation the failures of the incumbent software contractor.					
> Meet regularly with Project Director to provide legal status updates. Provide recommendations for the legal effort's ongoing priorities. Develop forensic timeline and project history.	6	33	200	0.1	-
> Represent the Project as an expert consultant at meetings and briefings of high level State officials and departmental management regarding sensitive policy and legal issues.	12	25	300	0.2	-
> Develop work plans and procedures for the retrieval of documents and artifacts necessary to support the legal efforts of the project.	2	20	40	0.1	0.1
> Legal Discovery: Respond to Legal requests for discovery and trial. This requires a manual search and review of all emails pertinent MyCalPAYS and the Project for three (3) years of emails, LAN folders, and hard copy documentation. Separate all confidential documents for redaction.	6	58	350	0.2	-
TOTAL: Staff Services Manager III	26	137	890	0.6	0.5

21st Century Project Legal Efforts

Workload Description	New Annual Increased Workload/ Task	Annual Hours per Task	Total Increased Hours	Number of Positions	Number of Requested Positions
Classification: Staff Services Manager I					
Major responsibility: Performs highly technical and complex duties involving the planning, organizing, development, creation of policies, processes, and procedures for system and data search requirements to support legal activities.					
> Public Record Act Support - Coordinate with Legal Office in support of the information discovery process to include: the interpretation and translation of information requests for the development of search criteria; plan data search and document production processes, implement communication strategies; monitor status of data collection and document production progress.	3	25	75	-	-
> Data Review & Document Redaction - Collaborate with the Legal Office and Information Services Division to preserve history of meta data and data integrity in the implementation and utilization of systems and processes; develop guidelines to determine data relevance and document redaction requirements; and monitor compliance.	3	85	255	0.1	-
> Data Repository - Coordinate with Information Services Division, the creation and availability of data staging areas and short/long term storage. Apply estimation models for data volume, relevance, and percentage subject to information privacy requirements to determine data staging and storage requirements.	3	65	195	0.1	-
> Legal Discovery: Respond to Legal requests for discovery and trial. This requires a manual search and review of all emails pertinent MyCalPAYS and the Project for three (3) years of emails, LAN folders, and hard copy documentation. Separate all confidential documents for redaction.	6	61	366	0.2	-
TOTAL Staff Services Manager I	15	236	891	0.4	0.5
Classification: Systems Software Specialist II (Technical)					
Major responsibility: Provides expertise and is responsible for technology support. Participate in the maintenance of MyCalPAYS systems. Will perform technical activities and support Public Records Act (PRA), Discovery, Legal Support, and remaining MyCalPAYS system and tools support.					
> Public Records Act (PRA): Respond to ongoing PRA requests. This requires a manual search and review of all emails pertinent MyCalPAYS and the Project for three (3) years of emails as well as any hard copy documentation. Separate all confidential documents for redaction.	3	55	165	0.1	-
> Legal Discovery: Respond to Legal requests for discovery and trial. This requires a manual search and review of all emails pertinent MyCalPAYS and the Project for three (3) years of emails, LAN folders, and hard copy documentation. Separate all confidential documents for redaction.	6	75	450	0.3	-
> MyCalPAYS and tool systems support: Perform technical tasks such as database administration, application administration, user provisioning, etc. in support of the MyCalPAYS infrastructure that was not decommissioned in support of legal activities.	6	46	276	0.2	-
TOTAL Systems Software Specialist II (Technical)	15	176	891	0.6	0.5
Classification: Staff Information Systems Analyst (Specialist)					
Major responsibility: Provides expertise and is responsible for technology support. Participate in the maintenance of MyCalPAYS systems. Will perform technical activities and support Public Records Act (PRA), Discovery, Legal Support, and remaining MyCalPAYS system and tools support.					
> Public Records Act (PRA): Respond to ongoing PRA requests. This requires a manual search and review of all emails pertinent MyCalPAYS and the Project for three (3) years of emails as well as any hard copy documentation. Separate all confidential documents for redaction.	3	25	75	-	-
> Legal Discovery: Respond to Legal requests for discovery and trial. This requires a manual search and review of all emails pertinent MyCalPAYS and the Project for three (3) years of emails, LAN folders, and hard copy documentation. Separate all confidential documents for redaction.	6	95	570	0.3	-
> MyCalPAYS and tool systems support: Perform technical tasks such as database administration, application administration, user provisioning, etc. in support of the MyCalPAYS infrastructure that was not decommissioned in support of legal activities.	6	41	246	0.1	-
TOTAL Staff Information Systems Analyst (Specialist)	15	161	891	0.4	0.5
Classification: Associate Governmental Program Analyst					
Major responsibility: Is responsible for analytical and administrative support of the project.					
> Provide contract management support for the 21 st Century Project contracts, including the software contract, system integrator contract, project oversight/independent verification and validation contract, DPA Interagency Agreement, Department of Technology Services Interagency Agreement, etc. Independently manage contract support activities, including monitoring contract compliance, project deliverable status, approving deliverables and vendor payments, and resolving contract-related issues with project vendors and contractors.	6	30	180	0.1	-
> Perform research and consult with management in the preparation of the monthly and quarterly projections and expenditure reports for management review. Develop Budget Change Proposals and other project control documents, including backup detail for tables, exhibits, attachments, fiscal details, etc. Respond to questions regarding the project budget, funding, projections, etc., from project management and the budget office staff. Performs budget drills.	6	15	90	0.1	-
> Perform as the Personnel Liaison to the 21st Century Project Staff. Assist supervisors and managers with personnel actions; initiate and review for completeness and accuracy Action Request Forms, duty statements, job opportunity bulletins, organization charts, and other personnel documentation related to hires, transfers, promotions, separations, and other personnel transactions to be processed by the department's Human Resource Office. Route Notice of Personnel Actions, probationary reports, Individual Development Plans, and other documents to the appropriate staff for signature. Work with the Human Resources Office to help determine employee eligibility for promotional examinations, classification transfers, and benefits. Research relevant laws, rules, procedures, bargaining unit contracts, etc.	6	20	120	0.1	-
> Prepare project control documents, including Special Project Reports and Post Implementation Evaluation Reports. Develop written communications, including letters, memorandums, etc., for legislators, departments, control agencies and project vendors/contractors on project issues and policies.	6	25	150	0.1	-
> Provide project status reports and to provide recommendations for changes to rules and policies related to contract management.	6	10	60	-	-

Workload Description	New Annual Increased Workload/ Task	Annual Hours per Task	Total Increased Hours	Number of Positions	Number of Requested Positions
<i>Legal Discovery: Respond to Legal requests for discovery and trial. This requires a manual search and review of all emails pertinent MyCalPAYS and the Project for three (3) years of emails, LAN folders, and hard copy documentation. Separate all confidential documents for redaction.</i>	6	50	300	0.2	-
TOTAL Associate Governmental Program Analyst	38	150	800	0.8	0.5
TOTAL - TFC Legal	149	1,159	6,257	3.7	3.5

21st Century Project Legal Efforts

ADMINISTRATIVE SUPPORT WORKLOAD

CLASSIFICATION / TASK		Workload		
		Months	Hours per Month	Hours per Year
Staff Services Manager I (Spec)	0.5			
Accounting Support		6	30	180
Serves as an independent consultant for all accounting services pertaining to the 21st Century Budget. Oversees the estimation of expenditures, reimbursements and revenues; payment of travel expenses claims and invoices, year-end accrual, billing of reimbursements to the agencies, special fund assessments; advise management of forecasted expenditures relative to budgeted authority.				
Budgetary Oversight and Technical Support		6	59	354
Serves as an independent consultant and principal staff supporting all budgetary issues for the SCO. Oversees the development, analyses, allocation, and monitoring of the 21st Century Project budget. Oversees the preparation of and/or edit BCPs to ensure that each proposal contains proper and sufficient workload justification to support the request. Analyzes BCPs for conformity with the Department's and the State's policies and procedures and ensure that all DOF requirements are met. Makes recommendations and provide pertinent information and guidance relative to budgetary concerns to Executive staff on BCPs. Functions as a liaison with the Department of Finance.				
Contracts Management		6	59	354
Serves as an independent consultant on contract management issues to project management and analytical staff, as well as control agencies and departments. Provide Executive Management with project status reports and recommendations for changes to rules and policies related to contract management. Functions as a liaison between the Project, Departmental Accounting and Budget Staff in regards to contract budget and funding issues.				
Total Estimated Hours				888

GOVERNMENT CODE - GOV

TITLE 2. GOVERNMENT OF THE STATE OF CALIFORNIA [8000 - 22980]

(Title 2 enacted by Stats. 1943, Ch. 134.)

DIVISION 3. EXECUTIVE DEPARTMENT [11000 - 15986]

(Division 3 added by Stats. 1945, Ch. 111.)

PART 2. CONSTITUTIONAL OFFICERS [12001 - 12790]

(Part 2 added by Stats. 1945, Ch. 111.)

CHAPTER 5. Controller [12402 - 12481]

(Chapter 5 added by Stats. 1945, Ch. 111.)

ARTICLE 2. Duties [12410 - 12432]

(Article 2 added by Stats. 1945, Ch. 111.)

12432.

(a) The Legislature hereby finds and declares that it is essential for the state to replace the current automated human resource/payroll systems operated by the Controller to ensure that state employees continue to be paid accurately and on time and that the state may take advantage of new capabilities and improved business practices. To achieve this replacement of the current systems, the Controller is authorized to procure, modify, and implement a new human resource management system that meets the needs of a modern state government. This replacement effort is known as the 21st Century Project.

(b) Notwithstanding any other law, beginning with the 2004–05 fiscal year, the Controller may assess the special and nongovernmental cost funds in sufficient amounts to pay for the authorized 21st Century Project costs that are attributable to those funds. Assessments in support of the expenditures for the 21st Century Project shall be made quarterly, and the total amount assessed from these funds annually shall not exceed the total expenditures incurred by the Controller for the 21st Century Project that are attributable to those funds in that fiscal year. Appropriations for this purpose shall be made in the annual Budget Act.

(c) To the extent permitted by law, beginning with the 2004–05 fiscal year, the Controller shall establish agreements with various agencies and departments for the collection from federal funds of costs that are attributable to federal funds. The total amount collected from those agencies and departments annually shall not exceed the total expenditures incurred by the Controller for the 21st Century Project that are attributable to federal funds in that fiscal year. Appropriations for that purpose shall be made in the annual Budget Act.

(d) It is the intent of the Legislature that, beginning not earlier than the 2006–07 fiscal year, future annual Budget Acts include General Fund appropriations in sufficient amounts for expenditures for the 21st Century Project that are attributable to the General Fund. It is the Legislature's intent that the share of the total project costs paid for by the General Fund shall be equivalent to the share of the total project costs paid for from special and nongovernmental cost fund assessments and collections from federal funds.

(e) This section shall remain in effect only until June 30, ~~2016~~2017, and as of that date is repealed.