

## CAPITAL PLANNING ADVISORY BOARD

2026 - 2032

### Capital Planning System Reports

**BRANCH:**

Executive Branch

**CABINET/FUNCTION:**

Personnel Cabinet

#### Mission and Programs

The Personnel Cabinet, created in accordance with KRS 18A.015, is organized into three offices/departments: the Office of the Secretary, the Department of Human Resources Administration, and the Department of Employee Insurance pursuant to KRS 18A.025.

Services and programs managed by the Cabinet include: personnel actions; payroll; review, consultation, and representation on appeals before the Personnel Board; training; equal employment opportunity compliance; recruitment; workers compensation; return to work; ergonomic evaluations; employee health, life, dental and vision insurance; flexible spending accounts; employee health clinics; wellness; reorganizations; employee adoption reimbursement; the Kentucky Employees Charitable Campaign; employee recognition; employment applications; classification and compensation; performance management; sick leave sharing; desk audits; deferred compensation; and employee assistance. Services are provided to every agency of state government, school districts; many quasi-governmental entities, and some counties.

The Personnel Cabinet is now consolidated into one physical location and leases 65,082 square feet of state-owned space in the Kentucky State Office Building located at 501 High Street in Frankfort, Kentucky.

#### PROPOSED PROJECTS - Funding Summary

<b>Fund Source</b>	<b>2026-2028 Biennium</b>	<b>2028-2030 Biennium</b>	<b>2030-2032 Biennium</b>	<b>Total</b>
General Fund	151,069,000	-	-	151,069,000
<b>Total</b>	<b>151,069,000</b>	<b>-</b>	<b>-</b>	<b>151,069,000</b>

  

<b>Funding by Agency</b>	<b>2026-2028 Biennium</b>	<b>2028-2030 Biennium</b>	<b>2030-2032 Biennium</b>	<b>Total</b>
Office of The Secretary	151,069,000	-	-	151,069,000
<b>Total</b>	<b>151,069,000</b>	<b>-</b>	<b>-</b>	<b>151,069,000</b>

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### Plan Overview

The Commonwealth of Kentucky procured SAPs ECC 6.0 Business Suite 7 in 2007 for HR, payroll, and benefits to replace the states 30-year-old legacy systems for personnel, payroll, benefits and benefits billing. SAP first released this software in 2005. SAP has not provided any enhancement functionality to the system since 2016 as they purchased SAP SuccessFactors in 2012 and changed their direction for HR software to the newly acquired HR solution. The Kentucky Human Resource Information System (KHRIS) went live in 2011 and is currently 14 years old with no functional enhancements provided for the last 9 years. At the end of 2030, when SAP SuccessFactors ends support of KHRIS, the system will be 20 years old with no functionality enhancements in 15 years, making it an antiquated solution with growing risks if not replaced.

In February 2020, the Personnel Cabinet received notification of SAPs intent for discontinuance of mainstream support for SAP ECC 6.0 Enhancement Pack (EHP) 6,7, or 8) products effective December 31, 2027. This discontinuance includes SAP Business Suite 7.0 which is currently utilized by the Commonwealth, as we are currently running SAP ECC 6.0 Enhancement Pack 7. SAP is not providing a legal successor for any SAP Business Suite products.

Third-party vendor support in lieu of SAPs annual maintenance and support is also not an option. As the Commonwealth is well aware, third-party support offerings are limited and do not include security fixes or advancements, functionality enhancements nor support for SAPs enterprise portal, which is heavily utilized by the Commonwealth.

Transition projects take years. It's crucial that the Commonwealth plan and execute the plan for the replacement of the existing SAP Human Capital Management (HCM) technology platform and systems to ensure time to RFP, procure, and successfully implement a new solution(s) prior to SAPs end of life for the ECC 6.0 Business Suite 7.0.

In response to the concerns outlined above, the Personnel Cabinet has developed a high-level timeline and approach to address this imminent business risk. Correspondingly, we have researched appropriate HCM solution offerings available in the market and gathered directional cost data accordingly to facilitate the submission of a capital fund request for the solution(s) subscription fees, implementation, tools and products to support a capital funding appropriation.

This leaves the Personnel Cabinet with only one option. The existing Kentucky Human Resource Information System (KHRIS) cannot be left subject to unacceptable risks and non-compliance for HR, payroll, taxation, and benefits services for 3 branches of government, 48,000+ employees, 24 local elected officials and their employees, and over 265,000 benefit members and dependents; thus, procurement of a new, modern HR/Payroll/Benefits solution to manage the HR, payroll and benefits programs is inevitable. SAP is planning to provide an optional extended maintenance and support offering at a premium fee through 2030; however, a solution replacement is required to be fully implemented and operational by no later than December 31, 2030. Considering the complexity of this initiative, it is necessary that the new solution be operational in a production environment by July 1, 2030 or October 1, 2030 to mitigate risk.

The Cabinet proposes the procurement of new, modern, and less complex technology. This initiative requires coordination of efforts to procure a solution for insurance benefits administration and billing, along with a solution to support HR, payroll, time, along with integration to the benefits solution.

**PERSONNEL CABINET**  
**Proposed Projects Involving the General Fund (cash or bonds)**  
(amounts in **bold** are the total budget)

**2026-2028 Biennium**

(Projects listed by Cabinet priority; descriptions are from the agency submission)

<b>1</b>	<b>Enterprise Human Resources Information System</b>	<b>151,069,000</b>
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Replacement of the Kentucky Human Resource Information System (KHRIS). KHRIS, implemented in 2011, powered by SAP software, is an on-premise Human Capital Management system that facilitates HR, payroll and/or benefits for all 3 branches of government, 48,000+ employees, 24 local elected officials and their employees, and over 265,000 benefits members and dependents. A change in SAPs technical roadmap for the version of SAP software utilized by KHRIS eliminates the vendors mainstream support for SAP ECC 6.0 Enhancement Pack (EHP) 6,7, or 8) products effective December 31, 2027. SAP may provide an optional extended support option, at an incremental cost, through December 31, 2030. (IT)

CPAB Staff Notes

- *NEW Project – has not been listed in a pervious capital plan.*