



**Postsecondary Institutional**

**Operating Budget**

# **Deficit Appropriation Requests**

**Fiscal Years 2008-09**

Coordinating Commission for Postsecondary Education

<p><b>Commission Approved December 11, 2008</b></p>
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## Executive Summary

The Commission reviewed a total of two deficit requests submitted by the University and the State Colleges. The Commission's recommendations follow:

### Operating Budget Requests

Institution	Request		Commission Recommendation
<b>University of Nebraska</b>	Student Information System (SIS) funding to complete the purchase of hardware, software, and implementation of the new SIS system.	\$10,261,493	The Commission recommends consideration of some additional state general funds for purchase and implementation of the new SIS system, contingent on thorough review of the SIS contracts for purchase and implementation.
<b>State Colleges</b>	Student Information System (SIS) funding to complete the purchase of hardware, software, and implementation of the new SIS system.	\$1,200,000	The Commission recommends consideration of some additional state general funds for purchase and implementation of the new SIS system, contingent on thorough review of the SIS contracts for purchase and implementation.

The Commission is required by Section 85-1416, Nebraska Revised Statute (Supp. 2007), to provide a recommendation on all major deficit requests submitted by the public postsecondary institutions.

Section 85-1416, Neb. Rev. Stat. (Supp. 2007)

(1) Pursuant to the authority granted in Article VII, section 14, of the Constitution of Nebraska and the Coordinating Commission for Postsecondary Education Act, the Commission shall, in accordance with the coordination function of the Commission pursuant to section 85-1403, review and modify, if needed to promote compliance and consistency with the Comprehensive Statewide Plan and prevent unnecessary duplication, the budget requests of the governing boards.

(2)(a) At least thirty days prior to submitting to the Governor their biennial budget requests pursuant to section 81-1113 and *any major deficit appropriation requests* pursuant to instructions of the Department of Administrative Services, the Board of Regents of the University of Nebraska and the Board of Trustees of the Nebraska State Colleges shall each submit to the Commission an outline of its proposed operating budget. The outline of its proposed operating budget or outline of proposed state aid request shall include those information summaries provided to the institution's governing board describing the respective institution's budget for the next fiscal year or biennium. The outline shall contain projections of funds necessary for (i) the retention of current programs and services at current funding levels, (ii) any inflationary costs necessary to maintain current programs and services at the current programmatic or service levels, and (iii) proposed new and expanded programs and services. In addition to the outline, the Commission may request an institution to provide to the Commission any other supporting information to assist the Commission in its budget review process. An institution may comply with such requests pursuant to section 85-1417.

(b) On September 15 of each biennial budget request year, the boards of governors of the community colleges or their designated representatives shall submit to the Commission outlines of their proposed state aid requests pursuant to the Community College Foundation and Equalization Aid Act.

(c) The Commission shall analyze institutional budget priorities in light of the Comprehensive Statewide Plan, role and mission assignments, and the goal of prevention of unnecessary duplication. The Commission shall submit to the Governor and Legislature by October 15 of each year recommendations for approval or modification of the budget requests together with a rationale for its recommendations. The analysis and recommendations by the Commission shall focus on budget requests for new and expanded programs and services and major statewide funding issues or initiatives as identified in the Comprehensive Statewide Plan. If an institution does not comply with the Commission's request pursuant to subdivision (a) of this subsection for additional budget information, the Commission may so note the refusal and its specific information request in its report of budget recommendations. The Commission shall also provide to the Governor and the Appropriations Committee of the Legislature on or before October 1 of each even-numbered year a report identifying public policy issues relating to student tuition and fees, including the appropriate relative differentials of tuition and fee levels between the sectors of public postsecondary education in the state consistent with the Comprehensive Statewide Plan.

(3) At least thirty days prior to submitting to the Governor their biennial budget requests pursuant to section 81-1113 and *any major deficit appropriation requests* pursuant to instructions of the Department of Administrative Services, the Board of Regents of the University of Nebraska and the Board of Trustees of the Nebraska State Colleges shall each submit to the Commission information the Commission deems necessary regarding each board's capital construction budget requests. The Commission shall review the capital construction budget request information and may recommend to the Governor and the Legislature modification, approval, or disapproval of such requests consistent with the statewide facilities plan and any project approval determined pursuant to subsection (10) of

section 85-1414 and to section 85-1415. The Commission shall develop from a statewide perspective a unified prioritization of individual capital construction budget requests for which it has recommended approval and submit such prioritization to the Governor and the Legislature for their consideration. In establishing its prioritized list, the Commission may consider and respond to the priority order established by the Board of Regents or the Board of Trustees in their respective capital construction budget requests.

(4) Nothing in this section shall be construed to affect other constitutional, statutory, or administrative requirements for the submission of budget or state aid requests by the governing boards to the Governor and the Legislature.

## **Introduction**

According to statutes, the Commission is to review and make recommendations to the Governor and the Legislature regarding any major operating budget deficit appropriation requests coming from Nebraska's public postsecondary institutions. The Commission considers all institutional deficit requests submitted this year to be major and, consequently, will review and make recommendations on each University and state college deficit request.

The state budget administrator has stated in his deficit appropriations memorandum that "a deficit budget request should only be made for extraordinary circumstances that are beyond an agency's control and ability to manage during the 2007-09 biennium." The state DAS Budget Administrator further states that an agency is to undertake any necessary management actions that will allow an agency to operate within the 2007-09 biennial appropriation.

### Operating Budget Requests

The deficit requests submitted by the governing boards of the University of Nebraska and the Nebraska State College System are as follows:

Institution	Request	Dollars Requested
		2008-09
<b>University of Nebraska</b>	Student Information System (SIS) – remaining one-time appropriation for purchase and implementation of new system.	\$10,261,493
<b>State Colleges</b>	Student Information System (SIS) – remaining one-time appropriation for purchase and implementation of new SIS system.	\$1,200,000

## Section I – Operating Budget Requests

### I. University of Nebraska

- Student Information System (SIS) funding to complete purchase of hardware, software and implementation of the new system - \$10,261,493

#### Description and Narrative:

The University is requesting one-time general fund appropriations of \$10,261,493 in fiscal year 2008-09 to complete the purchase and installation of a new Student Information System (SIS) and its associated components.

The University and the State Colleges are acquiring a common Student Information System to replace the systems now used by both sectors. Those systems will not be supported by the present software companies after December 31, 2011. In December 2007, the University and the State Colleges submitted a joint deficit request to the 100<sup>th</sup> Legislature for \$22,153,000. That amount was to cover the proposed first-year costs for a new common SIS system and migration of the State Colleges to the University's SAP financial/HR system.

In 2008, the Governor and the Legislature provided a deficit appropriation of \$20,000,000, with \$14,444,000 to the University and the remaining \$5,556,000 to the State Colleges. The University and State Colleges issued a joint RFP and narrowed the bidders to two companies. The finalist in the bid process was Oracle PeopleSoft. The University will use another company, CedarCrestone, to install and implement the Oracle software. The total cost for software and implementation of the new SIS system is \$29,761,493. Expected completion date is August 2010.

#### **Recommendations:**

**The Commission recommends consideration of some additional state general funds for purchase and implementation of the new SIS system, contingent on thorough review of the SIS contracts for purchase and implementation.**

#### **Rationale:**

In the Commission's 2007-2009 Biennial Capital Construction Budget Recommendations, the Commission supported the collaboration of the University and the State Colleges on a new SIS system. The Commission believed, as did the Nebraska Information Technology Commission (NITC), that collaboration on a SIS system would be more cost effective for both sectors and ultimately the state. In September 2006, the University was not far enough along in the acquisition process to determine a valid potential cost for their new SIS system. However, the State Colleges had progressed far enough to determine they would need about \$10 million to purchase and implement a new SIS system. According to the latest projections, the State Colleges will expend about \$6.756 million for a new joint SIS system,

implementation of the new system, and migration to the University's SAP financial accounting/HR system. It is apparent, at least when looking at the State Colleges' needs, that there will be cost savings with a joint system.

The state has appropriated \$18.3 million toward the \$29,761,493 total cost of the new joint SIS system. This equates to 61.5% of the cost to purchase and implement the new system. The University is requesting state deficit funding for the remainder of their cost of the new system, or \$10,261,493 in 2008-09.

With the state being asked to appropriate funds to cover the full cost of the new SIS system (about \$30 million), it would seem prudent for the state to review the Oracle PeopleSoft and the CedarCrestone contracts to determine the final dollar amounts required, whether there are ongoing costs, and the magnitude of those current and ongoing costs.

From preliminary estimates suggested by the University and the State Colleges, it appears that yearly ongoing costs that may be requested as appropriations for the new system could be close to \$3 million each year. Over ten years, therefore, the potential costs could be \$30 million for the new system and \$30 million or more for ongoing operating costs. At least some review of the agreements would seem advisable.

There is no consistent practice within the state for providing state funds for SIS systems, nor is there consistent national practice. Compared to other infrastructure (buildings, etc.), technology systems have shorter useful lives and little, if any, residual value. Funding for new technology often requires a coordinated effort by many beneficiaries.

The Commission supports the purchase and implementation of a new SIS system. However, there could be a question about whether the state is or should be responsible to provide funding for the total cost of the new system. Further, given current challenges, the state may not have sufficient funds to appropriate for the complete cost of the new system. If the state is unable or unwilling to provide full funding for the additional \$10,261,493, the University will need to find other means to meet the contracted obligations.

**While the Commission believes the state should not be totally responsible for the funding of the new system, and that the University should accept some responsibility for a portion of the total cost, the Commission does recommend that the state consider providing additional funds beyond the already appropriated 61.5% of purchase and implementation costs. Provision of those funds should be contingent on thorough review of the SIS contracts for purchase and implementation.**

## II. State Colleges

1. Student Information System (SIS) funding to complete the purchase of hardware, software and implementation of the new system - \$1.2 million.

### Description and Narrative:

The State Colleges are requesting a one-time general fund appropriation of \$1.2 million in fiscal year 2008-09 to finish the purchase and installation of a Student Information Systems and its components in collaboration with the University.

The State Colleges and the University are acquiring a common Student Information System to replace the systems now used by both sectors. Those systems will not be supported by the present software companies after December 31, 2011. In December 2007, the State Colleges and the University submitted a joint deficit request to the Governor and Legislature for \$22,153,000. That amount was to cover the proposed first-year costs for a new common SIS system and migration of the State Colleges to the University's SAP financial/HR system.

In 2008, the Governor and the Legislature provided a deficit appropriation of \$20,000,000 with \$5,556,000 to the State Colleges and the balance of \$14,444,000 to the University. The University and the State Colleges issued a joint RFP and narrowed the bidders to two companies. The finalist in the bid process was Oracle PeopleSoft. Because Oracle PeopleSoft does not install and implement its software, another company, CedarCrestone, will be used to install and implement the Oracle software. The total cost for software and implementation for the new SIS system is \$29,761,493. Expected completion date is August 2010.

### **Recommendation:**

**The Commission recommends consideration of some additional state general funds for purchase and implementation of the new SIS system, contingent upon thorough review of the SIS contracts for purchase and implementation.**

### **Rationale:**

In the Commission's 2007-2009 Biennial Capital Construction Budget Recommendations, the Commission supported the collaboration of the University and the State Colleges on a new SIS system. The Commission believed, as did the Nebraska Information Technology Commission (NITC), that collaboration on a SIS system would be more cost effective for both sectors and ultimately the state. In September 2006, the University was not far enough along in the acquisition process to determine a valid potential cost for their new SIS system. However, the State Colleges had progressed far enough to determine they would need about \$10 million to purchase and implement a new SIS system. According to the latest projections, the State Colleges will expend about \$6.756 million for a new joint SIS system, implementation of the new system, and migration to the University's SAP financial

accounting/HR system. It is apparent, at least when looking at the State Colleges' needs, that there will be cost savings with a joint system.

The state has appropriated \$18.3 million toward the \$29,761,493 total cost of the new joint SIS system. This equates to 61.5% of the cost to purchase and implement the new system. For 2008-09, the State Colleges are requesting additional state deficit funding of \$1.2 million for their portion of the remaining cost of \$11,461,493 for the new system.

With the state being asked to appropriate funds to cover the full cost of the new SIS system (about \$30 million), it would seem prudent for the state to review the Oracle PeopleSoft and CedarCrestone contracts to determine the final dollar amounts required, whether there are ongoing costs, and the magnitude of those current and ongoing costs.

From preliminary estimates suggested by the University and the State Colleges, it appears that the yearly ongoing costs that maybe requested as appropriations for the new system could be close to \$3 million each year. Over ten years, therefore, the potential costs could be \$30 million for the new system and \$30 million for ongoing operating costs. At least some review of the agreements would seem advisable.

There is no consistent practice within the state for providing state funds for SIS systems, nor is there consistent national practice. Compared to other infrastructure (building, etc.), technology systems have shorter useful lives and little, if any, residual value. Funding for new technology often requires a coordinated effort by many beneficiaries.

The Commission supports the purchase and implementation of a new SIS system. However, there could be a question about whether the state is or should be responsible to provide funding for the total cost of the new system. Further, given current challenges the state may not have sufficient funds to appropriate for the complete cost of the new system. If the state is unwilling or unable to provide full funding for the additional \$1.2 million, the State Colleges will need to find other means to meet the contracted obligations.

**While the Commission believes the state should not be totally responsible for the funding of the new system, and that the State Colleges should accept some responsibility for a portion of the total cost of the new SIS system, the Commission does recommend that the state consider providing additional funds beyond the already appropriated 61.5% of purchase and implementation costs. Provision of those funds should be contingent on thorough review of the SIS contracts for purchase and implementation.**