



TO: Gerry Oligmueller, State Budget Administrator

FROM: Stan Carpenter, Chancellor

DATE: Friday, October 26, 2007

SUBJECT: Deficit Request for FY 2007-2009

Please find enclosed our current deficit request for 2007-09. The vast majority of the request relates to the Nebraska State College System's critical need to replace our legacy higher education administrative software system. The seriousness of this request has been elevated to an emergency need since the time the biennium budget proposal was submitted in September, 2006, because of the formal notification from our vendor of its decision not to support the existing software after December 31, 2011. As you will see in the narrative for the request, we will continue to review and refine the request as we proceed through our vendor selection process.

Two additional important requests are included. One is for the impact of the federal minimum wage increase, which was passed after the last biennium budget process. The other is for Wayne State's share of a Director's position for the College Center at South Sioux City, the construction of which is currently in the design process. The Director's position will be essential in advance of the construction of the Center for planning related to building design, program offerings, staffing needs, marketing and recruiting.

Although we are not bringing a utilities deficit request forward at this time, we reserve the right to bring forward a request for utility increases later in the fiscal year, should actual experience with utility costs exceed the amount appropriated for these costs; and we also reserve the right to bring them forward in the next round of deficits or in the biennium process if the burden of the utility increases is impacting our ability to continue to operate.

As always, if you have any questions regarding the requests, please do not hesitate to contact me.

Form Number 500

Agency Adjustment Summary

State of Nebraska - Administrative Services - Budget Division

	PAGE NUMBER
	CODE & DESCRIPTION
AGENCY	50 Nebraska State College System Office
PGM	48 System Office / 921 System Admin. Software

EXPENDITURE ACCOUNT	ADJUSTMENTS	
	2007-2008	2008-2009
Permanent F.T.E. Positions		6.5
511100 Permanent Salaries - Wages		328,500
511200 Temporary Salaries - Wages	116,037	232,074
511600 Per Diem Payments		
511900 Supplemental (One-time payments)		
All Other Salaries		
Sub-Total Salaries	116,037	560,574
515100 Retirement Plans Expense		26,400
515200 OASDI Expense		25,400
515400 Life and Accident Insurance Expense		5,950
515500 Health Insurance Expense		51,675
All Other Personal Services		
Sub-Total Benefits	0	109,425
510000 Personal Services	116,037	669,999
520000 Operating Expenses		5,450
Software Maintenance		200,000
570000 Travel Expenses		4,700
580000 Capital Outlay		8,909,000
590000 Government Aid		
Total Expense	116,037	9,789,149
Means of Financing		
General Fund	116,037	9,789,149
Cash Fund		
Federal Fund		
Revolving Fund		
Total Funding	116,037	9,789,149

Note: In the blank lines under Operating Expenses, itemize individual line items that comprise a significant portion of the Total Operating Expenses.

Program Adjustment Narrative

State of Nebraska – Administrative Services – Budget Division

	CODE	DESCRIPTION
AGENCY	50	NE State College System
PROGRAM	921	System Admin Software
REQUEST	01a	ERP – Capital Outlay

Provide the following information: A) Description of Request; B) Rationale for Request; C) Impact of Request; and, D) Statutory Change if Required.

A) Description of Request: This request is for Capital Outlay funding for a new Enterprise Resource Planning (ERP) System for the Nebraska State College System (NSCS) in the amount of \$8,900,000. This could be funded either as a lump sum; or could be financed through the Nebraska State College Facilities Corporation. The cost of financing is not included in this request. Ongoing support and maintenance for the new system is included in Request 01b.

B) Rationale for Request: The NSCS requested funding of \$10,000,000 in the 2007-09 biennium process for a new Enterprise Resource Planning (ERP) System that would integrate all data and processes for the state colleges and system office into a unified system, which would include Student Information, Financial, Human Resources, and other administrative functions. Late in the 2007-09 biennium budget process, the NSCS was notified that Sungard, our current software provider, would no longer support our existing “Plus Version” products beyond December 31, 2011. The existing software was originally implemented by the colleges around 1987. With the late notification of the sunset date for the software, and a significant timeline for the implementation process, the colleges are now in a position where action must be taken to replace the software, necessitating this deficit request.

As a result of receipt of the sunset date for the current software, the NSCS has moved forward with an RFP process to determine the preferred vendor for a new ERP System. The RFP was published and distributed in June, 2007 with responses from vendors received on August 10, 2007. Based on an extensive review and rating of the responses, the NSCS narrowed the finalists to three from the five responses received. The three finalists each made two-day presentations to representatives from each college and the system office in October, 2007. The evaluation process will continue to the end of 2007, with a preferred vendor selected at that time. That selection will be made pending availability of funding. Based on financial information received from each of the finalists in response to the RFP, the following is a tentative budget developed for the capital portion of the project, which is less than the earlier \$10,000,000. These numbers will continue to be refined as the process moves forward. The budget below reflects mid-level pricing of the three finalists’ proposals.

Included in the request for Capital funding is:

Software	\$2,600,000
Hardware	650,000
Project Management	300,000
Migration Services	4,250,000
Training Support	300,000
Maintenance	200,000
Contingency	<u>600,000</u>
TOTAL	\$8,900,000

Program Adjustment Narrative

State of Nebraska – Administrative Services – Budget Division

	CODE	Page Number
		DESCRIPTION
AGENCY	50	NE State College System
PROGRAM	921	System Admin Software
REQUEST	01a	ERP – Capital Outlay

Provide the following information: A) Description of Request; B) Rationale for Request; C) Impact of Request; and, D) Statutory Change if Required.

Timeline for Implementation: The overall timeline for implementation anticipates a total of 36 months from funding approval to “go-live”. The estimated time for implementation for the new system is estimated by vendors to be in the range of twenty-two to twenty-six months. This excludes college preparation time, system testing, and dual run time. This timeline is needed for each of the three colleges and it may be difficult to have the same “go-live” date at each of the colleges. Some staggering of implementation may be required to assure adequate staffing and support during this phase. The timeline does not leave any leeway for delays or contingencies. Given the lean staffing levels at the three colleges, we know that the estimated timeframes will be difficult to meet. Given the significant investment, it will be important to assure that business processes are fully reviewed and that all of the capabilities of the new system are realized. We do know that costs will increase with any consolidation of the timeline and would require us to rely on outside consultants for more of the implementation. Time will also be required once funding is approved to negotiate a contract that best serves the needs of our students, faculty, staff, other constituents, and the system as a whole. Waiting until the next biennium budget process would jeopardize the system’s ability to assure that the established deadline will be met. The current proposals lock in pricing for 180 days beyond December 31, 2007. The cost of the project will likely increase after the current pricing is no longer valid.

C) Impact of Request: This software is absolutely critical to the continued operation of the colleges. Basic functions, from recruiting and admitting a student to tracking their academic careers; from awarding financial aid to student billing and receivables, are all key elements of this system. Without an adequate system to track and maintain these records, the colleges risk many adverse outcomes, including potential jeopardy to:

- Federal financial aid – the system is critical to assuring compliance with federal regulations regarding the award of aid
- Accreditation – accrediting agencies review information systems to assure that they are serving the needs of the colleges
- Compliance with federal and state reporting requirements and mandates – these systems are an integral part of complying with information requests and mandates
- Management Oversight – the ability to have appropriate integrated systems with access to data for reporting and decision making are essential to managers in higher education

In a society that is placing ever-increasing pressures on higher education for accountability, an integrated ERP system tailored to the needs of higher education is a basic core necessity.

D) Statutory Change, if required: No statutory changes are required to implement this request.

Form Number 520

Program Adjustment Request

State of Nebraska - Administrative Services - Budget Division

	PAGE NUMBER
	CODE & DESCRIPTION
AGENCY	50 Nebraska State College System Office
PROGRAM	921 System Admin Software
REQUEST	01a ERP - Capital Outlay (One-Time)

EXPENDITURE ACCOUNT	APPROPRIATIONS		ADJUSTMENTS	
	2007-2008	2008-2009	2007-2008	2008-2009
Permanent F.T.E. Positions				
511100 Permanent Salaries - Wages				
511200 Temporary Salaries - Wages				
511600 Per Diem Payments				
511900 Supplemental (One-time payments)				
All Other Salaries				
Sub-Total Salaries	0	0	0	0
515100 Retirement Plans Expense				
515200 OASDI Expense				
515400 Life and Accident Insurance Expense				
515500 Health Insurance Expense				
All Other Personal Services				
Sub-Total Benefits	0	0	0	0
510000 Personal Services	0	0	0	0
520000 Operating Expenses				
Software Maintenance				
570000 Travel Expenses				
580000 Capital Outlay				8,900,000
590000 Government Aid				
Total Expense	0	0	0	8,900,000
Means of Financing				
General Fund				8,900,000
Cash Fund				
Federal Fund				
Revolving Fund				
Total Funding	0	0	0	8,900,000

Note: In the blank lines under Operating Expenses, itemize individual line items that comprise a significant portion of the Total Operating Expenses.

Program Adjustment Narrative

State of Nebraska – Administrative Services – Budget Division

	CODE	Page Number
AGENCY	50	DESCRIPTION NE State College System
PROGRAM	48	System Office
REQUEST	01b	ERP – Ongoing Support

Provide the following information: A) Description of Request; B) Rationale for Request; C) Impact of Request; and, D) Statutory Change if Required.

A) Description of Request: This request is for ongoing maintenance and support of the new ERP System. The Capital portion of the system is detailed in request 01a.

B) Rationale for Request: As the NSCS learned that existing administrative software would no longer be supported after December 31, 2011, the system began an RFP process to replace the existing software. As we have continued to look further into the process, it has become increasingly clear that the new system functionality will require both additional personnel and increased ongoing maintenance costs. While we can project the cost of maintenance for the new software based on the finalists' proposals, it is difficult at this time to determine the total personnel impact that the new system will require. We know that implementation will require significant business process reengineering. This reengineering will serve as a change agent, ultimately requiring existing positions to be restructured in several functional areas. It is clear, however, that the technologies related with a new system will require the addition of data base administrators and applications support personnel. It will be important to have these new positions in place during the planning and implementation to assist with migration from the old system to the new, learn the new system, and provide support to existing staff during that time. The personnel request includes 3.0 FTE Database Administrators and 3.0 FTE Applications Support Specialists. Minor operating costs to support these positions are added to bring the total request for the new FTE to **\$405,000**. This request for personnel is for those needed at the beginning of the implementation process. We anticipate that any other identified staffing and operational cost needs will be brought forward during the 2009-11 biennium budget process.

The cost of the maintenance agreement for the new software is projected to be around \$500,000. Currently, the colleges expend around \$300,000 per year for maintenance agreements on the existing software. The request, then, is for the difference of **\$200,000** for the increased cost of the maintenance agreement under the ERP system.

C) Impact of Request: This system and the ongoing support to maintain and operate the system are absolutely critical to the continued operation of the colleges. Basic functions, from recruiting and admitting a student to tracking their academic careers; from awarding financial aid to student billing and receivables, are all key elements of this system. Without an adequate system to track and maintain these records, the colleges risk many adverse outcomes, including potential jeopardy to:

- Federal financial aid – the system is critical to assuring compliance with federal regulations regarding the award of aid
- Accreditation – accrediting agencies review information systems to assure that they are serving the needs of the colleges
- Compliance with federal and state reporting requirements and mandates – these systems are an integral part of complying with information requests and mandates
- Management Oversight – the ability to have appropriate integrated systems with access to data for reporting and decision making are essential to managers in higher education

In a society that is placing ever-increasing pressures on higher education for accountability, an integrated ERP System tailored to the needs of higher education is a basic core necessity.

D) Statutory Change, if Required: No statutory changes are required to implement this request.

Program Adjustment Request

State of Nebraska - Administrative Services - Budget Division

	PAGE NUMBER
	CODE & DESCRIPTION
AGENCY	50 Nebraska State College System Office
PROGRAM	48 System Office
REQUEST	01b ERP - Ongoing Support & Maintenance

EXPENDITURE ACCOUNT	APPROPRIATIONS		ADJUSTMENTS	
	2007-2008	2008-2009	2007-2008	2008-2009
Permanent F.T.E. Positions				6.0
511100 Permanent Salaries - Wages				291,000
511200 Temporary Salaries - Wages				
511600 Per Diem Payments				
511900 Supplemental (One-time payments)				
All Other Salaries				
Sub-Total Salaries	0	0	0	291,000
515100 Retirement Plans Expense				23,400
515200 OASDI Expense				22,500
515400 Life and Accident Insurance Expense				5,700
515500 Health Insurance Expense				46,200
All Other Personal Services				
Sub-Total Benefits	0	0	0	97,800
510000 Personal Services	0	0	0	388,800
520000 Operating Expenses				3,000
Software Maintenance	300,000	300,000	0	200,000
570000 Travel Expenses				4,200
580000 Capital Outlay				9,000
590000 Government Aid				
Total Expense	300,000	300,000	0	605,000
Means of Financing				
General Fund	300,000	300,000	0	605,000
Cash Fund				
Federal Fund				
Revolving Fund				
Total Funding	300,000	300,000	0	605,000

Note: In the blank lines under Operating Expenses, itemize individual line items that comprise a significant portion of the Total Operating Expenses.

Program Adjustment Narrative

State of Nebraska – Administrative Services – Budget Division

	CODE	DESCRIPTION
AGENCY	50	NE State Colleges System
PROGRAM	48	System Office
REQUEST	02	Federal Minimum Wage

Provide the following information: A) Description of Request; B) Rationale for Request; C) Impact of Request; and, D) Statutory Change if Required.

A) Description of Request: This request is for funding to cover the additional cost related to the impact of the mandated federal minimum wage increase.

B) Rationale for Request: At the time of the last biennium budget process, the increase in minimum wage was not known. Since that time, the federal minimum wage has been approved to increase according to the following schedule:

Federal Minimum Wage Rates	Rate	Increase	Increase %
pre-7/24/07	5.15		
Summer, 2007 (7/24/07)	5.85	0.70	13.59223%
Summer, 2008 (7/24/08)	6.55	0.70	11.96581%
Summer, 2009 (7/24/09)	7.25	0.70	10.68702%

The colleges are impacted directly and immediately by this increase on workers who are classified as temporary hourly workers. These include student workers in such areas such as grounds, custodial services, library, office support, and technology services. While most of the workers are at minimum wage, some are slightly higher depending on the job and the individual’s qualifications. The rate of pay for all employees in this group will be impacted as the “spread” between the minimum wage workers and those slightly higher will need to be maintained. The vast majority of the workers in this category are students, although there are also some part-time hourly workers from the communities in various areas of the colleges. These workers are vital to the operation of the colleges, providing support to essential services.

The increase is calculated on the actual temporary wages paid in fiscal 2006-07 of \$853,706. Given that base amount, the increase is cumulative, with an additional \$116,037 impact each year. Total impact each of the 3 years of increases is as follows:

FY07-08	\$116,037
FY08-09	\$232,074
FY09-10	\$348,111

As shown, there will be one additional year of impact beyond the two years of the current biennium, which will be requested in the 2009-2011 biennium budget request document.

C) Impact of Request: This request will allow the colleges to continue to use students and other hourly workers to fill the gaps where traditional staffing is not available due to budgetary restrictions and to deal with seasonal and/or temporary staffing needs. If funding is not provided, the colleges will either have to use fewer hours of support, leaving areas short-staffed and services provided at a lower level; or they will have to reallocate funds from other areas to support the continued hours, then leaving those areas short. If hours are reduced, students will have fewer opportunities to earn money to assist with the cost of their education. Students will then be required to take out additional student loans or may not be able to continue their education.

D) Statutory Change if Required: No statutory change is required.

Form Number 520

Program Adjustment Request

State of Nebraska - Administrative Services - Budget Division

	PAGE NUMBER
	CODE & DESCRIPTION
AGENCY	50 Nebraska State College System
PROGRAM	48 System Office
REQUEST	02 Federal Minimum Wage Increase

EXPENDITURE ACCOUNT	APPROPRIATIONS		ADJUSTMENTS	
	2007-2008	2008-2009	2007-2008	2008-2009
Permanent F.T.E. Positions				
511100 Permanent Salaries - Wages				
511200 Temporary Salaries - Wages	853,706	853,706	116,037	232,074
511600 Per Diem Payments				
511900 Supplemental (One-time payments)				
All Other Salaries				
Sub-Total Salaries	853,706	853,706	116,037	232,074
515100 Retirement Plans Expense				
515200 OASDI Expense				
515400 Life and Accident Insurance Expense				
515500 Health Insurance Expense				
All Other Personal Services				
Sub-Total Benefits	0	0	0	0
510000 Personal Services	853,706	853,706	116,037	232,074
520000 Operating Expenses				
570000 Travel Expenses				
580000 Capital Outlay				
590000 Government Aid				
Total Expense	853,706	853,706	116,037	232,074
Means of Financing				
General Fund	853,706	853,706	116,037	232,074
Cash Fund				
Federal Fund				
Revolving Fund				
Total Funding	853,706	853,706	116,037	232,074

Note: In the blank lines under Operating Expenses, itemize individual line items that comprise a significant portion of the Total Operating Expenses.

Program Adjustment Narrative

State of Nebraska – Administrative Services – Budget Division

	CODE	DESCRIPTION
AGENCY	50	NE State College System
PROGRAM	48	System Office
REQUEST	03	College Center SSC Director

Provide the following information: A) Description of Request; B) Rationale for Request; C) Impact of Request; and, D) Statutory Change if Required.

A) Description of Request: This request is for \$52,075 to cover half the cost of hiring a Director for the new College Center at South Sioux City. The other half of the cost will be provided by Northeast Community College. This is the only portion of the operating costs for the Center being requested at this time. The balance of the operational costs for the new Center will be requested during the 2009-2011 biennium budget process, as the building approaches completion.

B) Rationale for Request:

Funding was provided by the Governor and the Legislature during the 2007-09 biennium budget process for Wayne State College's share of constructing the new College Center at South Sioux City, in partnership with Northeast Community College. As planning continues for the new Center, it is important to have an individual identified as the Director to be a key part of the planning process, for the construction process as well as for program planning and staffing considerations. The College Center is a new approach to providing higher education in the State of Nebraska. This facility partners a community college with a state college to provide all coursework for selected associate, bachelors, and graduate degrees at the Center. The time spent in planning in advance of the completion of the project will be critical to the success of the project. It will be important that the facility is planned in a manner that closely ties the programmatic needs of the two institutions and the students they will serve with the actual facility design.

There are a significant number of issues to work through to assure that the facility is ready for operation when it is completed; and that all staffing and processes are in place to best serve the area's students by Northeast Community and Wayne State Colleges. Staff will need to be selected and trained to provide students with services from both Colleges. It is important that these services are seamless and integrated from the student's perspective. The Director would also be an key part of the construction process, and could be available to provide on-site visual inspections of the construction on behalf of the colleges, which will be taking place at a distance from the normal construction oversight staff at Northeast and Wayne State. The Director will be instrumental in initial efforts to recruit future students and begin marketing the Center.

C) Impact of Request: Without the addition of a position at this time, existing staff will be extremely stretched as they will have to travel to and from the construction site. Construction oversight would likely not be at the needed level, as existing staff at both colleges have significant commitments at their campus locations. Without the position, existing academic, student services, and administrative staff will also have to allot significant time toward programmatic and staffing planning, which often is difficult within existing time commitments. The addition of this position is critical to guiding the effective planning of the new College Center at South Sioux City.

D) Statutory Change if Required: No statutory change is required.

Form Number 520

Program Adjustment Request

State of Nebraska - Administrative Services - Budget Division

	PAGE NUMBER
	CODE & DESCRIPTION
AGENCY	50 Nebraska State College System Office
PROGRAM	48 System Office
REQUEST	03 College Center at SSC Director

EXPENDITURE ACCOUNT	APPROPRIATIONS		ADJUSTMENTS	
	2007-2008	2008-2009	2007-2008	2008-2009
Permanent F.T.E. Positions				0.5
511100 Permanent Salaries - Wages	0	0		37,500
511200 Temporary Salaries - Wages				
511600 Per Diem Payments				
511900 Supplemental (One-time payments)				
All Other Salaries				
Sub-Total Salaries	0	0	0	37,500
515100 Retirement Plans Expense				3,000
515200 OASDI Expense				2,900
515400 Life and Accident Insurance Expense				250
515500 Health Insurance Expense				5,475
All Other Personal Services				
Sub-Total Benefits	0	0	0	11,625
510000 Personal Services	0	0	0	49,125
520000 Operating Expenses				2,450
570000 Travel Expenses				500
580000 Capital Outlay				
590000 Government Aid				
Total Expense	0	0	0	52,075
Means of Financing				
General Fund	0	0	0	52,075
Cash Fund				
Federal Fund				
Revolving Fund				
Total Funding	0	0	0	52,075

Note: In the blank lines under Operating Expenses, itemize individual line items that comprise a significant portion of the Total Operating Expenses.