STUDY OF THE ENTERPRISE RESOURCE PLANNING SYSTEM - BACKGROUND MEMORANDUM

Section 11 of Senate Bill No. 2021 (2025) (appendix) provides for a study during the 2025-26 interim regarding the enterprise resource planning (ERP) system for the state, including state agencies and institutions of higher education. The study must include consideration of:

- The current system and potential systems, including functionality, technological structure, expected life cycle, costs and benefits of cloud-based and on-premises hosted solutions, support and maintenance costs, and potential implementation costs.

- The desired functionality for state agency use, including financial management, human capital management, and procurement.

- The desired functionality for institutions of higher education, including financial management, human capital management, grant management, compliance management, procurement, and student data management.

- The costs and benefits of continuing with one ERP system or separate systems for state agencies and institutions of higher education.

The Legislative Management assigned the responsibility for this study to the Information Technology Committee.

CURRENT ENTERPRISE RESOURCE PLANNING SYSTEM HISTORY

The state ERP system, commonly known as ConnectND, was implemented to provide a multimodule software system that includes a relational database and applications for managing financial activities, purchasing, budgeting, human resources, payroll, asset management, and student information functions. The system was developed by PeopleSoft, Inc., which was acquired by Oracle Corporation in 2005.

The Legislative Assembly provided a $7.5 million general fund appropriation for Phase 1 of the project for the 2001-03 biennium and a $20 million bond issue for the remainder of the project implementation costs for the 2003-05 biennium. The Legislative Assembly provided that debt service on the bonds issued for the ConnectND system must be available from charges made and collected by the Information Technology Department (ITD) from users of the system, with 29 percent of the debt service being the responsibility of state agencies and 71 percent of the debt service being the responsibility of higher education.

The Office of Management and Budget (OMB) issued bonds totaling $20 million in September 2003 for the ConnectND system. The bonds were issued at an interest rate of 3.86 percent for a period of 10 years, with annual debt service of approximately $2.7 million.

The state's portion of the debt service and the estimated operational cost of the system for the 2005-07 biennium of approximately $1.4 million was to be recovered through a $12.58 per month charge to agencies based on full-time equivalent positions and a $6.68 per month charge to agencies per $1 million appropriated. The higher education portion of debt service and the estimated operational cost of the system for the 2005-07 biennium of approximately $3.5 million was to be recovered through various

funding sources, including student fees, internal reallocation of technology fees, and funding from the 2003-05 biennium operations pool.

The North Dakota University System began implementation of the ConnectND system with a pilot project, including Mayville State University and Valley City State University in October 2002 and the University System office in April 2003 and had planned to implement all components of ConnectND to the remaining higher education institutions in July 2004.

In July 2004 the University System implemented the financial, human resource, and student administration components of the system at Bismarck State College, Dickinson State University, Lake Region State College, North Dakota State College of Science, and Williston State College. At that time, 8 of the 12 University System sites were "live" with the system, considering that pilot sites had been "live" since April 2003. The remaining sites--Minot State University, Minot State University - Bottineau, North Dakota State University, and the University of North Dakota--did not implement the system as originally scheduled due to the institutions' concerns with the features offered by the system's grants and contracts module.

The four remaining higher education institutions implemented the student administration component of the ConnectND system in fall 2004 for the 2005-06 academic year and implemented the financial and human resource components of the system in January 2005 after modifications were made to the system's grants and contracts module. The delayed implementation and grants and contracts modifications resulted in an additional cost of approximately $4.4 million.

The following is a timeline of activities associated with the ConnectND project, including the University System efforts prior to the start of the ConnectND request for proposal (RFP) in September 2000.

January 1995	The University System began the process of redesigning and re-engineering its financial and student records systems in a development partnership with The Robinson Group (TRG), a subsidiary of USA Group.
September 1996	The University System was notified by TRG that the entity did not have the capability to build the systems necessary to meet the University System's requirements and the entity would not continue supporting the development of an enterprisewide administrative system software solution.
January 1999	The University System budget request for the 1999-2001 biennium included a request for $8 million of funding, of which $6.5 million was from the general fund and $1.5 million was from Minnesota reciprocity and TRG settlement funds, for financing a portion of the replacement of the University System's student records and administrative systems. The funding would have been used to make the first biennial installment payment of principal and interest on a financing agreement that included software, hardware, consulting, and internal personnel costs. Additional general fund appropriations of $8 million per biennium would have also been required for the 2001-03 and 2003-05 bienniums. This budget request was not included in the 1999-2001 executive budget recommendation nor was the request approved by the 1999 Legislative Assembly.
April 2000	The University System reported to the interim Information Technology Committee that the estimated cost of replacing the system's administrative systems was approximately $10 million to $15 million for student records, $7 million to $12 million for the financial portion, and $7 million to $12 million for the human resources portion.
July 2000	The Chief Information Officer reported to the interim Information Technology Committee that representatives from ITD and the University System were working closely on addressing proposals for student information systems, financial systems, and human resource systems.
September 2000	The Information Technology Department issued an ERP system RFP, reviewed the RFP responses, and selected three finalists--SCT, Oracle, and PeopleSoft.
December 2000	The Governor Schafer's 2001-03 executive budget recommendation included funding of $20,499,873, of which $20 million was from the general fund, for the first phase of implementation of an ERP system. The 2001-03 Governor Hoeven executive budget recommendation reduced funding for the implementation of an ERP system by $8,517,500 from $20,488,873 to $11,971,373, of which $11,482,500 was from the general fund, by

	reducing funding for operating expenses by $9,000,000 and increasing funding due to the transfer of funding relating to the Quality Schools Commission of $70,000 and student database of $412,500 from the Department of Public Instruction to ITD.
April 2001	The 2001 Legislative Assembly provided funding of $7.5 million from the general fund for the first phase of the implementation of an ERP system.
May 2001	The three finalists submitted final proposals. Shortly thereafter the RFP evaluation process was halted to explore the possibility of entering into a joint venture partnership with Microsoft-Great Plains for development of an ERP system.
October 2001	Consideration of the joint venture partnership was discontinued after it was determined that it would take Microsoft-Great Plains up to 24 months to develop the human resources and financial components of the ERP system and approximately 4 to 6 years to complete the ERP system integration. The Information Technology Department returned to the original RFP evaluation process and reduced the finalists to two--Oracle and PeopleSoft.
	The Chief Information Officer reported to the interim Information Technology Committee that due to changes in federal regulations, the University System financial aid system must be replaced by the summer of 2003. If the state had not begun the implementation of an ERP system by that time, the state would be forced to use a portion of the $7.5 million general fund appropriation for an ERP system to rewrite the existing higher education financial aid system.
January 2002	Based on review of the final proposals, ITD awarded contracts to PeopleSoft for the purchase of an ERP software system and to Maximus for implementation consultant services.
February 2002	The Information Technology Department developed an implementation plan which included the implementation of all three of the system components--financial, human resources, and student administration--at two pilot higher education institutions--Mayville State University and Valley City State University and the implementation of the financial and human resources components at OMB, including payroll for all of state government.
April 2002	The Information Technology Department determined the estimated vendor fees and maintenance costs associated with the ConnectND system for the 2001-03 biennium were approximately $12.3 million, $4.8 million more than the 2001-03 legislative appropriation of $7.5 million. In order to fund the costs associated with the system, the department received approval from the Budget Section to enter into a financial agreement for approximately $4.8 million. Under the agreement, the department paid PeopleSoft $150,000 on August 1, 2002, and the remainder of $4,746,053 plus related interest of $117,967 on August 1, 2003. The agreement allowed the department to use the remaining ERP system initiative 2001-03 legislative appropriation for implementation services performed by Maximus.
	The Information Technology Department estimated the total costs associated with the ConnectND system initiative for the 2003-05 biennium would be approximately $22 million.
	The State Board of Higher Education, in response to the costs associated with the ConnectND system initiative, approved a student fee of $42 per semester for the 2002-03 academic year.
December 2002	The 2003-05 Hoeven executive budget recommendation included funding of $20 million from bond proceeds for the continuation of the ConnectND project. The executive budget recommendation provided that the debt service on the bonds issued for the initiative would be available from charges made and collected by ITD from users of the system with 60 percent of the debt service being the responsibility of higher education and 40 percent being the responsibility of state agencies.
April 2003	The 2003 Legislative Assembly did not change the executive recommendation to provide $20 million of bond proceeds for the ConnectND system initiative. However, the Legislative Assembly provided that debt service on the bonds issued for the initiative must be available from charges made and collected by ITD from users of the system with 29 percent of the debt service being the responsibility of state agencies and 71 percent of the debt service being the responsibility of higher education.
	The payroll, core human resources, and benefits modules of the ConnectND system "went live" for all employees of Mayville State University, Valley City State University, and state

	government, except for the Bank of North Dakota. Mayville State University, Valley City State University, and OMB also "went live" with a portion of the financial component of the system.
May 2003	The State Board of Higher Education approved a student fee of $36 per semester for the 2003-04 academic year for support of the ConnectND system, a decrease of $6 from the $42 per semester fee for the 2002-03 academic year.
September 2003	The Office of Management and Budget issued bonds totaling $20 million for the ConnectND system initiative. The bonds were issued at an interest rate of 3.86 percent for a period of 10 years with annual debt service of approximately $2.7 million.
	The state portion of the debt service was recovered through monthly charges to state agencies based on full-time equivalent positions and per $1 million appropriated.
	The higher education portion of the debt service is recovered through various funding sources, including student fees, internal reallocation, and reallocation of technology fees.
February 2004	The State Board of Higher Education approved a student fee of $63 per semester for the 2004-05 academic year for support of the ConnectND system, an increase of $27 from the $36 per semester fee for the 2003-04 academic year. The board also allocated the operations pool funding of $578,417 appropriated by the 2003 Legislative Assembly to support costs associated with the implementation of the ConnectND system.
July 2004	The financial, human resources, and student administration components of the ConnectND system were implemented at Bismarck State College, Dickinson State University, Lake Region State College, North Dakota State College of Science, and Williston State College. At that time 8 of the 12 University System sites were "live" with the system considering that pilot sites had been "live" since April 2003. The remaining sites--Minot State University, and Minot State University - Bottineau, North Dakota State University, and the University of North Dakota did not implement the system as originally scheduled due to the institutions' concerns with the features offered by the system's grants and contract module. The State Board of Higher Education allocated $250,000 of funding from the contingency and capital emergency funding appropriated by the 2003 Legislative Assembly for additional costs incurred due to the delay in implementing the system at four institutions.
September 2004	The State Board of Higher Education received Emergency Commission approval for funding of $150,000 from the state contingency fund for anticipated additional costs associated with the University System's implementation of the ConnectND system. The funding was to be used to cover a portion of the additional costs resulting from the delay in the rollout of the system to the final four higher education institutions.
October 2004	The financial and human resource components of the ConnectND system were rolled out to all state agencies.
January 2005	Minot State University, and Minot State University - Bottineau, North Dakota State University, and the University of North Dakotawent "live" with the financial and human resources components of the ConnectND system and continued to phase in the student administration component between the fall of 2004 and the summer of 2005.
April 2005	The University System requested and received a $617,520 general fund deficiency appropriation for the 2003-05 biennium for additional costs associated with the implementation of the ConnectND system.
May 2005	The State Board of Higher Education approved a student fee of $81 per semester for the 2005-06 academic year for support of the ConnectND system, an increase of $18 from the $63 per semester fee for the 2004-05 academic year.
June 2005	The University System returned the funding of $150,000 from the state contingency fund and the $617,520 general fund deficiency appropriation for the 2003-05 biennium due to an unanticipated carryover balance at the end of fiscal year 2005. The State Board of Higher Education allocated $44,000 of funding from the operations pool appropriated by the 2005 Legislative Assembly for support of the ConnectND system.
February 2006	The State Board of Higher Education allocated $1.5 million of the 2005-07 legislative appropriation for board initiatives of $1,885,000 for additional costs associated with the ConnectND system.
April 2006	The State Board of Higher Education approved a student fee of $81 per semester for the 2006-07 academic year for support of the ConnectND system, the same level as the 2005-06

	academic year. The board also authorized the chancellor to hire a ConnectND project manager.
June 2006	The State Board of Higher Education allocated up to $115,000 of funding from the contingency and capital emergency funding appropriated by the 2005 Legislative Assembly for renovating office space for ConnectND staff in the Skills and Technology Training Center in Fargo.

2023-24 INFORMATION TECHNOLOGY COMMITTEE

During the 2023-24 interim, the Information Technology Committee received information from the University System regarding plans to request funding for an ERP360 project to replace the PeopleSoft financial and human resources software, ConnectND.

The committee was informed that the University System established an ERP360 executive governance committee comprised of 11 individuals from Bismarck State College, Minot State University, North Dakota State University, the North Dakota State College of Science, OMB, the University of North Dakota, the University System office, the University System's Core Technology Services and Valley City State University. A representative of ITD also participated in the executive governance committee meetings.

The committee was informed that the University System conducted the following activities:

- February 2023 - June 2023 - Announced plans to explore replacing the current ERP system with higher education stakeholders.

- June 2023 - The ERP360 charter was approved by the executive governance committee.

- August 2023 - September 2023 - Received executive-level assignments from campus presidents.

- September 2023 - April 2024 - Conducted market analysis, including an assessment of new ERP systems higher education institutions have reviewed, implemented, or deployed in the last 10 years.

- May 2024 - June 2024 - Prepared an executive summary on ERP360 recommendations for presentation to university presidents and the State Board of Higher Education.

The committee was informed that:

- The University System hired Peak Performance Technologies, Inc., to provide consulting services for a state assessment of higher education institutions.

- Potential ERP vendors that could provide a cloud-based product to replace ConnectND that consists of financial, human resources, and student information system capabilities include Oracle Cloud ERP and Workday Enterprise Management Cloud.

- The ERP360 analysis resulted in a recommendation to the State Board of Higher Education for the University System to transition to a new ERP modernization product and be fully transitioned to cloud systems by 2035.

- The University System intends to request $10 million for the ERP360 project during the 2025 legislative session.

2025 LEGISLATIVE SESSION

Governor Burgum's executive budget included a recommendation to provide one-time funding of $10 million from the strategic investment and improvements fund for the ERP360 project for the 2025-27 biennium. Governor Armstrong did not include funding for the project in his executive budget recommendations. The 2025 Legislative Assembly did not provide funding for the project for the 2025-27 biennium, instead, directing the legislative interim study.

PROPOSED STUDY PLAN

The following is a proposed study plan for the committee's consideration in its study regarding the ERP system:

1. Receive information from the University System, ITD, and OMB regarding the current ERP system and potential systems, including functionality, technological structure, expected life cycle, costs and benefits of cloud-based and on-premises hosted solutions, support and maintenance costs, and potential implementation costs.

2. Receive information from ITD, OMB, and other state agencies regarding desired functionality for state agency use, including financial management, human capital management, and procurement.

3. Receive information from the University System office and higher education institutions regarding desired functionality for institutions of higher education, including financial management, human capital management, grant management, compliance management, procurement, and student data management

4. Receive information from the University System, ITD, and OMB regarding the costs and benefits of continuing with one ERP system or separate systems for state agencies and institutions of higher education.

5. Receive information from the University System, ITD, and OMB regarding the potential costs of replacing the current ERP system and potential funding sources available for a replacement project.

6. Receive testimony from interested persons regarding the study.

7. Develop recommendations and any bill drafts necessary to implement the recommendations.

8. Prepare a final report for submission to the Legislative Management.

ATTACH:1