



April 6, 2022

Senator Julie Rosen, Chair  
Senate State Finance Committee  
2113 Minnesota Senate Bldg.  
St. Paul, MN 55155

RE: S.F. 3975

Chair Rosen and members of the Senate Finance Committee:

I am writing today to provide feedback on Senate File 3975, the Omnibus State Government Finance, Policy and Elections Bill, with a focus on the sections of the bill pertaining to Minnesota Management and Budget (MMB).

At MMB, we are stewards of the state's financial and human resources, delivering effective services for the people of Minnesota. Our agency is responsible for managing state finances, payroll, human resources, and employee insurance. We also provide the IT systems for the state's daily business operations and information access and analysis. MMB is a central service agency, with about 260 employees who serve the Governor, the Legislature, more than 100 state government agencies, a workforce of 56,000 employees, and the public.

When S.F. 3975 was released, I looked forward to seeing the priorities put forth from the State Government Finance and Policy and Elections Committee, as well as the areas of common ground between the Governor and the Committee. I searched for proposals brought forward by MMB, knowing not all would be adopted word-for-word, but I was interested to see where there might be new language or different ideas to address the budget and policy issues that were recommended by the Governor and discussed with and presented to Committee members. Unfortunately, not one MMB proposal, or alternative to a proposal, was included in S.F. 3975.

Despite the shared responsibility delivering efficient state services, S.F. 3975 does not address the critical funding shortfall for the state's Enterprise Resource Planning (ERP) systems. MMB owns and manages the IT systems that make up the state's ERP technology. Employees in all three branches of state government use these IT systems for their essential day-to-day operations, including accounting, procurement, data reporting, payroll, human resource management, recruiting, and employee benefits and learning. It costs \$22 million each year for MMB to maintain, operate, and enhance the state's ERP systems. MMB has one dedicated funding source, the Statewide Systems Account, to pay for these costs. However, under statute, MMB can only bill state agencies \$10 million annually for this account. MMB has used general fund dollars and one-time funding sources, such as Statewide Systems Account reserves and Information and Telecommunications Account ("Odyssey") funds, to bridge the gap.

Unfortunately, we have reached a tipping point. The reserves in the Statewide Systems Account have been exhausted and the account is projected to have a deficit in FY 2023. Without basic maintenance, the possibility of improvements will fall further out of reach. For instance, the state's data reporting system, the Data Warehouse, needs critical upgrades. MMB does not have a sustainable funding source to upgrade the Data Warehouse and address the ongoing operational needs of the other ERP systems. This lack of sustainable funding has been independently corroborated by the Office of the Legislative Auditor (OLA) in their 2018 report.

The Governor's Supplemental Budget included a proposal to address this issue, providing one-time general fund appropriations through FY 2025, lifting the cap on agency billings in the Statewide Systems Account thereafter, and establishing an advisory panel of agency customers to help develop the ongoing system priorities, overall funding, and strategic direction for new IT solutions into the future. S.F. 3975 offers no alternative to the Governor's solution to stabilize and secure these at-risk systems even though nothing presents operational and cybersecurity risks to the state.

Beyond the proposal to stabilize and secure our ERP system, the Governor put forward other proposals to advance and enhance MMB's ability to serve the citizens of Minnesota that were also not included in S.F. 3975. These proposals include:

- Evaluating the Impact of State Investments
- Capital Budget Outreach and Assistance
- Cross Agency Coordination of the Children's Cabinet
- Cost of Living Adjustment Increase for Retirees

Each of these was described in detail, builds on demonstrated success, and has the potential for significant impact. It is disappointing that none of these were even partially addressed in S.F. 3975.

In addition, MMB is carrying a key budget item on behalf of the enterprise for the state's emergency COVID-19 response. The proposal establishes additional flexible funding for on-going responses to the pandemic. COVID-19 has been unpredictable, and we've demonstrated the importance of flexible State responses. The COVID-19 flexible account has been used to address emerging issues and quickly provide funding for critical needs such as Emergency Nursing Facilities Grants, Emergency Staff Hospital Decompression, Emergency Training and Rapid At-Home tests. Continued flexible funding will be necessary for the state to respond to evolving COVID-19 pandemic prevention and responses.

Finally, a proposal to expand the authority of the Legislative Budget Office (LBO) was amended to S.F. 3975. The proposal was not given a hearing this session and did not give us a chance to share our concerns. I urge you to remove this new language from the bill and allow for testimony on the proposal.

My first concern is that MMB budget staff, who play a crucial role in maintaining the state's financial integrity, should not be prohibited from being involved in the preparation of unofficial fiscal notes.

- MMB has a continuing responsibility to manage the state's financial affairs, including ensuring that the global state government budget is balanced, and to partner with and advise state agencies as they assess the fiscal implications of legislative proposals.
- The goal of our involvement is to help ensure the executive branch is providing high quality, accurate and consistent information early in the process—helping to prevent inaccurate or

inconsistent fiscal estimates from being provided to the Legislature and to limit the need for MMB to raise concerns after a note has been approved.

- The involvement of MMB budget staff in the preparation of these notes does not compromise the confidential nature of the notes.

Second, I have concerns about the expansion of LBO authority related to reviewing accuracy of previous fiscal notes on enacted legislation.


- It is likely that the LBO would need to rely on agency staff to produce much of this analysis, particularly on complex forecast programs
- Especially in the current environment, agencies do not have additional staff capacity to absorb this work without additional resources.
- There has been limited outreach from the LBO to agencies to define either the scope of this work or the roles of LBO and agency staff in completing the analysis.

Third, the bill provides the LBO mandated access to state employees. The relationship between the LBO and state agencies is critical to complete fiscal notes; however, the proposal to permit access to subject matter experts within state agencies should be built on a working relationship and not mandated by statute. Mandated access to people and data too greatly expands the authority of the LBO.

As S.F. 3975 is amended and moved through the Senate process, I hope to see some of the Governor's proposals for MMB added to the bill. Providing funds to stabilize and secure the state's ERP systems or including policy items that provide for more efficient and effective government, can still be added in a show of good faith that the Committee and Senate are working toward an agreement on an Omnibus State Government Bill.

Despite the outlined concerns, I look forward to working with you in the coming weeks to develop a bill that meets our shared objective: serving the people of Minnesota. MMB staff and I are available to assist you, Committee members, and Senate staff to achieve this goal.

Sincerely,

A handwritten signature in black ink, appearing to read "Jim Schowalter". The signature is fluid and cursive, with a large initial "J" and "S".

Jim Schowalter  
Commissioner