

Minnesota Management and Budget Supplemental Budget Requests

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Stabilize and Sustain the State's ERP Systems

The state's ERP systems support critical business functions



HR, Payroll, Benefits,
Recruiting Solutions,
and Self Service
(SEMA4)



Statewide
Integrated Financial
Tools (SWIFT)



Data
Warehouse/Enterprise
Performance
Management (EPM)



Enterprise Learning
Management (ELM)

What the state's ERP systems do in a year

Process **\$45B** in revenues and expenditures

Make **2.9 million** payments to vendors

Process **\$3.8B** in payroll for 65,000 employees

Compile **700,000** reports for agency management



House and track **4,300** training classes

Process **200,000** job applications and **6,800** hires

Used by **100,000** vendors

Accessed by **120,000** employees/retirees

Current state of systems



The annual cost to run the systems is **\$22 million**



By law, MMB can only charge agencies **\$10 million total per year**



MMB relies on a variety of other funding sources to pay for remaining ERP systems costs and absorb inflationary pressures. MMB has relied primarily on one-time resources for upgrades and projects.

Statewide Systems Account will be depleted this biennium

(\$ in thousands)	FY 2018-19 actuals	FY 2020-21 actuals	FY 2022-23 estimates
Beginning balance	\$13,441	\$8,337	\$4,403
Revenues	\$20,000	\$20,000	\$20,000
Expenditures	\$25,105	\$23,934	\$25,604
Ending balance	\$8,337	\$4,403	(\$1,201)
<i>Structural balance</i>	<i>(\$5,105)</i>	<i>(\$3,934)</i>	<i>(\$5,604)</i>

Recent budget requests for ERP costs have not been fully funded

Since 2015, MMB has submitted four budget requests to fund growing ERP costs. The amount of funding ultimately enacted fell short of the request in each instance.

Legislative session	Amount requested (over four-year budget horizon)	Amount enacted (over four-year budget horizon)
2015	\$14 million	\$7 million
2016	\$10 million	\$2 million
2017	\$26.758 million	\$4.181 million
2019	\$5.7 million	\$250,000

What's the problem?

A photograph of a server room with rows of server racks. The room is dimly lit with a blue hue. The racks are filled with server hardware, and there are many cables visible. The perspective is looking down a central aisle between the racks.

Lack of funding

- Minimal maintenance
- Inadequate updates
- Security and performance risks
- Unmet business needs
- Higher costs in the long term

What's the Solution?

Sustainable, reliable ongoing funding source for our ERP systems



Provide funding to stabilize the systems

One-time funds of \$6.3 million in FY 2023 and \$17.9 million in FY 2024-25 to address the funding gap and upgrade the data warehouse



Eliminate the cap on the statewide systems billing account, allowing MMB to bill agencies an amount sufficient to support the statewide systems beyond the current budget horizon



Establish an advisory group

of state agencies that would advise on the amount of the billing, system services, and enhancements

Components of funding request

Budget component	What does it buy?	Cost in FY 2023	Cost in FY 2024-25 biennium
Statewide Systems Account funding gap	Maintains current statewide systems operations after account's reserves are depleted. Costs include staffing, training, hardware, and software licensing	\$1.3 million	\$8.6 million
Data Warehouse upgrade	Upgrades the remaining statewide system to bring the unstable system to a stable and supported status. Specific costs include software licensing, contractors, and state staffing	\$4 million	\$6.1 million
Keeping systems stable and supported	Additional MMB and MNIT staffing capacity demanded by modern IT systems to keep the many software components of the systems current, secure, and operating efficiently	\$1 million	\$3.2 million
		\$6.3 million	\$17.9 million

Sustainable Funding Enables Strategic Investment



Experts support this solution

Recent audit findings support the need for a reliable and sustainable funding source

Office of Legislative Auditor



Findings support removing the cap on the statewide systems billing account and billing the full cost of maintaining the systems to agencies based on their usage of the system

**External consultant
Berry Dunn**

"The state needs a consistent and long-term IT funding strategy that supports the delivery of effective, efficient, and secure systems to its partners and most importantly to 5.5 million Minnesotans."

"...because appropriations typically do not increase beyond the two-year biennium, funding often does not take modernization, operational increases, enhancements, or changes in software licensing costs into account"

Governor's Blue Ribbon Council on Information Technology:

2020 report findings address inadequate funding for system support, cybersecurity, and disaster recovery:

Evaluating the Impact of State Investments

FUNDING REQUEST

FY 2023: \$300,000 from the general fund
FY 2024-25: \$900,000 from the general fund

PROPOSAL

- Creates capacity for rigorous evaluations of new and innovative state investments, including those made under the American Rescue Plan Act (ARPA).
- Provides insights to policymakers on whether state services achieved their desired outcomes for participants and taxpayers, informing future policy decisions.
- Builds on successful MMB Results First and Impact Evaluation efforts to inventory state services, identify which have evidence to support their efficacy, and evaluate those that do not yet.

IMPACT

- This funding will help the Legislature and state agencies make important decisions on which services to expand, amend, or discontinue.

FTEs

FY 2023: 2.25 FTEs
FY 2024-25: 4 FTEs

Capital Budget Outreach and Assistance

FUNDING REQUEST

FY 2023: \$314,000 from the general fund
FY 2024-25: \$628,000 from the general fund

PROPOSAL

- Increases MMB's capacity to provide technical assistance to communities and non-profits that have traditionally not participated in the state capital budget process.
 - Funds 1 FTE in MMB's Debt Management Division
- Will allow MMB to proactively raise awareness about the capital budget and the requirements associated with applying for and receiving capital budget funding.
 - Funds 1 FTE in MMB's Budget Services Division

IMPACT

Communities and non-profits that have traditionally not participated in the state capital budget process will receive proactive outreach and increased technical assistance from MMB. Communities that have traditionally participated in the state capital process may also benefit from this expanded capacity.

FTEs

2 FTEs

Cross-Agency Coordination – Children’s Cabinet

FUNDING REQUEST

FY 2023: \$1 million from the general fund
FY 2024-25: \$2 million from the general fund

PROPOSAL

- Establishes dedicated funding for the Children’s Cabinet (Minnesota Statutes Section 4.045) for administration and staffing.
- Aligns with funding practices in other states.
- Provides coordination among agencies and engagement with Minnesotans to drive action on issues impacting children, including education from birth onward, child care access and workforce, mental health, older youth, and other family and community supports.

IMPACT

Sustains Children’s Cabinet efforts to support interagency partnership, facilitate coordination, and drive outcomes and bring efficiency and effectiveness to state government to improve child and youth outcomes and state services that support them.

FTEs

5 FTEs (maintained)

COVID-19 Emergency Response

FUNDING REQUEST

FY 2022-23: \$500 million (\$350 million from general fund; \$150 million from ARPA-SFRF)
FY 2024-25: \$0

PROPOSAL

- Establishes an account for emergency COVID-19 pandemic response.
- Flexible funds allow the state to respond quickly and efficiently to changing conditions.
- Funds would be available for allocation through the ARPA availability period of December 31, 2024.
- Mirrors the \$425 million COVID-19 Flexible Response Account established in July 2021, which provided:
 - \$105 million to **stabilize the healthcare system**
 - \$75 million for **testing & vaccine efforts**
 - \$52 million for **sheltering and rental assistance**

IMPACT

This funding will ensure Minnesota continues to rank among the highest in the nation for COVID-19 response.

FTEs

0 FTEs

Thank You!

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