



April 4, 2022

Senator Mary Kiffmeyer, Chair  
Senate State Government Finance and Policy and Elections Committee  
3103 Minnesota Senate Bldg.  
St. Paul, MN 55155

RE: S.F. 3975

Dear Chair Kiffmeyer and members of the Senate State Government Finance and Policy and Elections 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 doing 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.

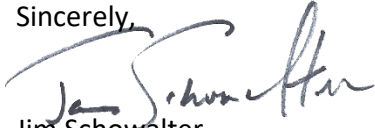
Finally, in addition to our budget proposals, MMB brought forward a technical policy proposal that would update allowable uses of collateral for the state's banking business. Currently, bonds are the only option banks have for collateral when working with the state. The proposal allows banks to use lines of credit, which function like insurance, as collateral to compete for the state's banking business. Banks already have this option when serving local governments. Options like a letter of credit are less expensive for the banks, and the state, to administer. However, this non-controversial, technical proposal was also not included in S.F. 3975.

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