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2016-17 Governor's Budget, MN.IT Services

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<http://mn.gov/mnit/>

AT A GLANCE

- Provides all information technology (IT) services to 70 executive branch entities and offers a sub-set of services to cities, counties and other non-executive branch entities
- Responsible for 2,100 IT employees
- Hosting and support of 2,300 agency applications
- Manages security for systems and applications at 135 locations
- Oversight of executive branch IT project portfolio including 18 biennial IT projects

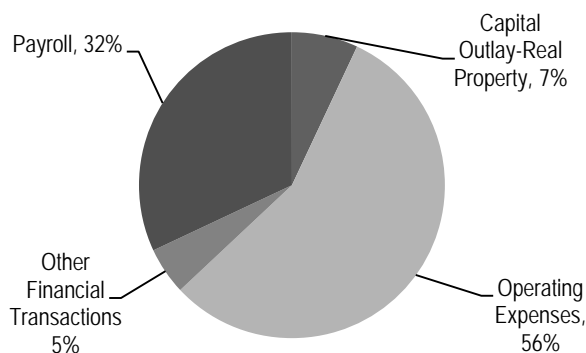
PURPOSE

The mission of MN.IT Services is to provide high-quality, secure and cost-effective information technology that meets the business needs of government, fosters innovation and improves outcomes for the people of Minnesota.

As the State's provider of efficient and cost-effective IT services for agencies and citizens, MN.IT Services directly contributes to the State's results-based outcome of: **Efficient and accountable government services**. In addition, we support all of the results-based outcomes, including health, public safety, employment and economic development, education and natural resources, by providing IT computing and telecommunications resources to support agency business goals, and by managing the applications that run agency programs.

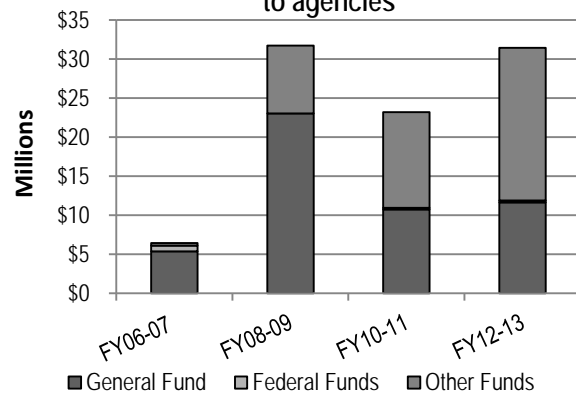
BUDGET

**Spending by Category
FY 13 Actual**



Source: BPAS

Historical Spending
Note: Excludes Enterprise chargebacks to agencies



Note: Excludes Enterprise chargebacks to agencies

Source: Consolidated Fund Statement

MN.IT Services is responsible for biennial IT spending of approximately \$900 million, of which \$700 million comes from chargebacks from agencies. MN.IT spending is primarily funded by chargebacks to agencies for IT services through the Enterprise Technology Fund and, to a much lesser extent, by general fund appropriations for the Chief Information Officer (CIO) office, enterprise security and geospatial (MNGeo) functions and by special revenue funds. The FY 2008-09 biennium was the first biennium that MN.IT had authority for the Special Revenue Fund that consists of agency contributions to enterprise IT projects. General fund spending increased in FY 2008-09 primarily for enterprise security, which was reduced in subsequent biennia. The Historical Spending budget chart shown above **excludes** the chargebacks to agencies for enterprise IT services. MN.IT Services (established as a separate entity starting in FY2006) includes the following budget activities for which there are separate narratives: Standard IT Services, Applications, Projects and Initiatives, and IT Leadership.

Since IT consolidation legislation was enacted by the legislature in 2011, MN.IT has focused on administrative and financial consolidation and the development and implementation of the agency's Tactical Plan. The Plan's purpose is to make the State's IT infrastructure more efficient in order to focus staff, budget, and creativity on the services that most directly make a difference for state

government and citizens. Consolidated finances and purchasing, as well as data center consolidation, have been implemented to produce cost savings and cost avoidance for the State. Current Tactical Plan projects focus on those IT functions that can more efficiently be delivered through a centralized service. These projects will be managed in stages to avoid disruption to state business and to manage the changes efficiently.

STRATEGIES

MN.IT Services strives to fulfill its mission through five key operational strategies as defined below.

1. Improve service management

Standardize and improve service level management for all services, both centrally delivered and agency based, in order to improve service outcomes, service costs, and accountability.

Adopt common service management processes, tools, and metrics in order to coordinate management and reporting.

Develop service strategies in a way that makes business sense and represents good value to our customers, and actively seek to deliver on a short-list of "early wins."

2. Focus the State portfolio

Reassess and revitalize key enterprise initiatives that take into account the new consolidated environment and meet the goals of the IT Master Plan.

Assess and improve statewide project and portfolio management, increasing the overall success of project execution and completion.

3. Implement organizational consistency

Standardize agency policies and management practices, and develop functional alignment between MN.IT Central and agency based offices in order to better define roles, skills and expectations and to foster collaboration and interoperability.

Analyze and address inconsistencies in employment terms and practices to facilitate agile staff deployment and increase career path options for MN.IT employees.

4. Foster leadership and encourage high performance and innovation

Set clear expectations and provide training and mentoring to build leadership and management skills within our organization and work to clear administrative barriers to attracting and rewarding strong IT leadership talent to the State.

Monitor employee satisfaction and productivity. Actively and consistently manage performance and results in order to build trust and improve service, and recognize and reward individual performance and effectiveness.

Institute policy and provide tools that allow MN.IT employees to work effectively from anywhere to meet the customers' needs.

5. Practice financial management and accountability

Standardize financial management of IT budget(s) based on total cost of ownership in order to increase transparency and manage resources.

Revise IT procurement functions and processes in order to maximize the effectiveness of contract management and the power of enterprise contracts.

Develop and execute a strategy for reinvestment of savings.

Practice clear governance and decision-making at all levels of our organization based on the best interests of the State, our customers, and our employees.

MN.IT Services legal authority comes from M.S. 16E. (<https://www.revisor.leg.state.mn.us/statutes/?id=16E&view=chapter>)

Expenditures By Fund

	Actual		Actual FY14	Estimate FY15	Forecast Base		Governor's Recommendation	
	FY12	FY13			FY16	FY17	FY16	FY17
1000 - General	4,776	6,877	4,355	13,794	3,096	3,406	3,191	3,597
2000 - Restricted Misc Special Rev	5,484	3,761	4,784	10,489	2,843	2,514	2,843	2,514
2001 - Other Misc Special Rev	6,678	3,516	8,685	12,303	5,684	1,753	5,684	1,753
2302 - Clean Water Fund	93	0	0	0	0	0	0	0
3000 - Federal	190	60	85	0	0	0	0	0
5000 - Master Lease	3,782	9,808	4,105	6,879	12,764	10,000	12,764	10,000
5500 - Enterprise Technologies	90,831	90,964	153,381	248,528	406,219	401,335	406,219	401,335
Total	111,834	114,987	175,395	291,992	430,605	419,008	430,700	419,199
<i>Biennial Change</i>				240,566		382,225		382,511
<i>Biennial % Change</i>				106		82		82
<i>Governor's Change from Base</i>								286
<i>Governor's % Change from Base</i>								0

Expenditures by Program

Program: IT For Minnesota Government	111,834	114,987	175,395	291,992	430,605	419,008	430,700	419,199
Total	111,834	114,987	175,395	291,992	430,605	419,008	430,700	419,199

Expenditures by Category

Compensation	32,576	36,843	69,015	85,818	227,307	231,230	227,402	231,421
Operating Expenses	67,207	64,607	93,834	180,648	173,854	161,254	173,854	161,254
Other Financial Transactions	9,625	6,046	8,333	16,499	12,329	12,205	12,329	12,205
Grants, Aids and Subsidies		9	20					
Capital Outlay-Real Property	2,427	7,482	4,193	9,028	17,115	14,319	17,115	14,319
Total	111,834	114,987	175,395	291,992	430,605	419,008	430,700	419,199

<u>Full-Time Equivalents</u>	329.7	355.0	630.8	799.7	2,113.9	2,113.9	2,113.9	2,113.9
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1000 - General

	Actual		Actual FY 14	Estimate FY15	Forecast Base		Governor's Recommendation	
	FY12	FY 13			FY16	FY17	FY16	FY17
Balance Forward In		1,279	0	6,973	1,690	1,000	1,690	1,000
Direct Appropriation	5,981	5,979	2,431	2,431	2,431	2,431	2,526	2,622
Net Transfers	(20)	(344)	8,897	6,081	(25)	(25)	(25)	(25)
Cancellations		36						
Expenditures	4,776	6,877	4,355	13,794	3,096	3,406	3,191	3,597
Balance Forward Out	1,185		6,973	1,690	1,000		1,000	
<i>Biennial Change in Expenditures</i>				6,496		(11,648)		(11,362)
<i>Biennial % Change in Expenditures</i>				56		(64)		(63)
<i>Gov's Exp Change from Base</i>								286
<i>Gov's Exp % Change from Base</i>								4
FTEs	28.9	33.7	15.9	42.7	14.7	14.7	14.7	14.7

2000 - Restricted Misc Special Rev

	Actual		Actual FY 14	Estimate FY15	Forecast Base		Governor's Recommendation	
	FY12	FY 13			FY16	FY17	FY16	FY17
Balance Forward In	1,968	2,943	5,517	9,735	7,391	9,893	7,391	9,893
Receipts	4,882	5,142	5,732	5,055	5,055	5,055	5,055	5,055
Net Transfers	230	20	3,270	3,090	290	290	290	290
Expenditures	5,484	3,761	4,784	10,489	2,843	2,514	2,843	2,514
Balance Forward Out	1,595	4,344	9,735	7,391	9,893	12,724	9,893	12,724
<i>Biennial Change in Expenditures</i>				6,027		(9,916)		(9,916)
<i>Biennial % Change in Expenditures</i>				65		(65)		(65)
<i>Gov's Exp Change from Base</i>								0
<i>Gov's Exp % Change from Base</i>								0
FTEs	6.2	6.3	3.4	8.0	3.0	3.0	3.0	3.0

2001 - Other Misc Special Rev

	Actual		Actual FY 14	Estimate FY15	Forecast Base		Governor's Recommendation	
	FY12	FY 13			FY16	FY17	FY16	FY17
Balance Forward In	6,475	3,923	19,829	15,692	5,832	1,839	5,832	1,839
Direct Appropriation			0	0	0	0	0	0
Receipts	2,860	3,284	4,525	2,443	1,691	1,691	1,691	1,691
Net Transfers	783	16,081	22	0				
Expenditures	6,678	3,516	8,685	12,303	5,684	1,753	5,684	1,753
Balance Forward Out	3,440	19,774	15,692	5,832	1,839	1,777	1,839	1,777
<i>Biennial Change in Expenditures</i>				10,793		(13,551)		(13,551)

(Dollars in Thousands)

2001 - Other Misc Special Rev

<i>Biennial % Change in Expenditures</i>				106		(65)		(65)
<i>Gov's Exp Change from Base</i>								0
<i>Gov's Exp % Change from Base</i>								0
FTEs	12.6	6.5	9.1	13.8	11.2	11.2	11.2	11.2

2302 - Clean Water Fund

	Actual		Actual	Estimate	Forecast Base		Governor's Recommendation	
	FY12	FY 13	FY 14	FY15	FY16	FY17	FY16	FY17
Balance Forward In	119							
Direct Appropriation	0	0	0	0	0	0	0	0
Net Transfers	(26)							
Expenditures	93	0	0	0	0	0	0	0
<i>Biennial Change in Expenditures</i>				(93)		0		0
<i>Biennial % Change in Expenditures</i>				(100)		0		0
<i>Gov's Exp Change from Base</i>								0
<i>Gov's Exp % Change from Base</i>								0
FTEs	0.1	0.0						

3000 - Federal

	Actual		Actual	Estimate	Forecast Base		Governor's Recommendation	
	FY12	FY 13	FY 14	FY15	FY16	FY17	FY16	FY17
Receipts	190	61	85	0	0	0	0	0
Expenditures	190	60	85	0	0	0	0	0
<i>Biennial Change in Expenditures</i>				(165)		(85)		(85)
<i>Biennial % Change in Expenditures</i>				(66)		(100)		(100)
<i>Gov's Exp Change from Base</i>								0
<i>Gov's Exp % Change from Base</i>								0
FTEs	0.1	0.0	0.4	0.4				

5000 - Master Lease

	Actual		Actual	Estimate	Forecast Base		Governor's Recommendation	
	FY12	FY 13	FY 14	FY15	FY16	FY17	FY16	FY17
Balance Forward In		0	0					
Receipts	3,782	9,808	4,105	6,879	12,764	10,000	12,764	10,000
Expenditures	3,782	9,808	4,105	6,879	12,764	10,000	12,764	10,000
<i>Biennial Change in Expenditures</i>				(2,606)		11,780		11,780
<i>Biennial % Change in Expenditures</i>				(19)		107		107

(Dollars in Thousands)

5000 - Master Lease

<i>Gov's Exp Change from Base</i>				0
<i>Gov's Exp % Change from Base</i>				0

5500 - Enterprise Technologies

	Actual		Actual FY 14	Estimate FY15	Forecast Base		Governor's Recommendation	
	FY12	FY 13			FY16	FY17	FY16	FY17
Balance Forward In	26,533	21,801	24,759	12,690	7,692	7,691	7,692	7,691
Direct Appropriation	0	0	0	0	0	0	0	0
Receipts	86,417	90,846	143,974	245,530	406,219	401,338	406,219	401,338
Net Transfers	(3,335)	(1,006)	(2,662)	(2,000)				
Expenditures	90,831	90,964	153,381	248,528	406,219	401,335	406,219	401,335
Balance Forward Out	18,784	20,677	12,690	7,692	7,691	7,695	7,691	7,695
<i>Biennial Change in Expenditures</i>				220,114		405,645		405,645
<i>Biennial % Change in Expenditures</i>				121		101		101
<i>Gov's Exp Change from Base</i>								0
<i>Gov's Exp % Change from Base</i>								0
FTEs	281.7	308.4	602.0	734.8	2,085.0	2,085.0	2,085.0	2,085.0

FY16-17 Biennial Budget Change Item

Change Item Title: MN.IT Cash Flow

Fiscal Impact (\$000s)	FY 2016	FY 2017	FY 2018	FY 2019
General Fund				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Other Funds				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Net Fiscal Impact = (Expenditures – Revenues)	0	0	0	0
FTEs	0	0	0	0

Recommendation:

The Governor recommends two actions intended to assist Mn.IT's cash position in its enterprise fund. These include amending the deadline from June 30, 2015, to "the end of the fiscal year 2015 closing period" for repaying MN.IT's cash flow assistance that was authorized for the current biennium. The Governor also recommends authorizing for the next biennium the same cash flow assistance, up to \$110 million, that was authorized for the current biennium. The assistance would be repaid, with interest, by the closing period of fiscal year 2017.

Rationale/Background:

Minnesota Management and Budget (MMB) is authorized by Minnesota Statute 16A.129 to provide cash flow assistance to agencies within a budget period. In 2013, MMB was specifically authorized to provide cash flow assistance to MN.IT of up to \$110 million across fiscal years, but limited to the biennium. (See Laws of 2013, Chapter 142, Article 1, Section 10.) Because the authority requires repayment of the assistance by the end of the biennium, the assistance results in no net costs to the general fund for the biennium. The assistance was authorized to address the lag between MN.IT incurring expenses on behalf of agencies (such as procurement and payroll expenses) and MN.IT receiving payment for those expenses from agencies. Changing the repayment deadline from the last day of the fiscal year to the end of the fiscal year 2015 closing period allows MN.IT the usual time period to collect payments from agencies and allows agencies time to review invoices and process payments before the "hard close" of the fiscal year, when the accounting period for the biennium officially ends.

Authorizing the cash flow assistance in the next biennium will enable continued financial consolidation efforts in the upcoming biennium, a foundational element of the centralization of IT services, staff, management, and procurement. During the next biennium, several larger agencies will be transitioning to rate-based billing for all IT services, which will involve MN.IT paying for the IT services initially and invoicing the agencies for payment. Because MN.IT has limited experience with the timing of receipts from the larger agencies for the services that are transitioning to rate-based billing and the amount of time agencies will need to verify the invoices for these services, cash flow assistance of up to \$110 million is recommended for the next biennium.

Proposal:

The proposed revision to the repayment deadline for this biennium will allow MN.IT to be positioned to repay the cash flow assistance with interest by the closing period for the current biennium. The proposed cash flow assistance of up to \$110 million for the next biennium will facilitate the completion of the final phases of IT financial consolidation in the upcoming biennium. While this proposal relates to fiscal policy, it is not a proposal for new appropriations. Approval of this proposal will allow current practice to continue, and no new staff will be added as a result.

Results:

Completion of the final stages of financial consolidation in the upcoming biennium will enable greater IT efficiencies in the future and help improve Minnesota's technology performance indicator. The technology performance for state government was rated with a grade of B+ in 2014.

Statutory Change(s):

This would not require a statutory change, but would require an amendment to the date in Laws of 2013, Chapter 142, Article 1, Section 10 and the addition of the revised language to the state government omnibus finance bill for the next biennium.

FY16-17 Biennial Budget Change Item

Change Item Title: Operating Adjustment

Fiscal Impact (\$000s)	FY 2016	FY 2017	FY 2018	FY 2019
General Fund				
Expenditures	95	191	191	191
Revenues	0	0	0	0
Other Funds				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Net Fiscal Impact = (Expenditures – Revenues)	95	191	191	191
FTEs	0	0	0	0

Recommendation:

The Governor recommends additional funding for compensation related costs associated with the delivery of agency services. This amount represents an annual increase of 1.8% for General Fund compensation costs.

Rationale/Background:

Each year, compensation costs rise due to labor contract settlements, and changes in employer-paid contributions for insurance, FICA, Medicare, retirement, and other factors. Absorbing this increase in compensation costs within existing agency base appropriations results in reduced staffing and/or reduced non-compensation spending.

Proposal:

The Governor recommends increasing agencies' general fund budgets for employee wage and benefit costs by 1.8% per year for FY 2016-17. Agencies were instructed to include a 1.8% increase to total compensation each year in their base budgets, based upon the compound annual compensation spending rate increase per FTE over the last ten years for executive branch employees. This recommendation is intended to allow agencies to maintain their current level of agency operations.

For non-General Fund direct appropriated funds, the Governor's budget recommendations also include an adjustment of 1.8% per year, where the amount can be supported by the source of revenue.

Results:

This proposal is intended to allow agencies to continue to provide current levels of service and information to the public.

Statutory Change(s):

N.A.

Program: MN.IT Services

Activity: IT Standard Services

<http://mn.gov/mnit/>

AT A GLANCE

- Data center management for 4 enterprise data centers
- Service desk and desktop support for 30,000 customers
- Enterprise communication/collaboration tools for 37,000 users
- MNET (Minnesota's Network for Enterprise Telecommunications)- the State network for education, local governments and agencies with 900 locations and 32 regional network hubs
- Local and long distance telephone service delivered by 70 different vendors to 100 customers

PURPOSE & CONTEXT

This activity meets the need for an effective, secure and reliable IT infrastructure capable of providing the wide range of IT services and business functionality required by agencies to meet program goals and objectives. The activity is comprised of both enterprise standard services and those that are provided at the agency-based office level. The primary customers are state government entities and, by extension, the citizens of Minnesota.

SERVICES PROVIDED

Standard IT Services include all of the computing, telecommunications and Wide Area Network (WAN) services that underlie and support the program applications upon which state agencies rely:

- Client Computing (i.e. knowledge-worker support): Service Desk, Mobile Device Management, Workstation Management
- Contact Center Minnesota-call center providing customer solutions
- Contracted Telecom Services-local and long distance voice services contracted through 3rd party telephone vendors
- Local Area Network (LAN)-communications network connecting devices within a building or campus
- Internet protocol (IP)-the state's voice over internet phone system
- Enterprise Unified Communication and Collaboration (EUCC): email, instant messaging, SharePoint, video and voice conferencing
- Wide Area Network Services (WAN)-services that enable the use of the state's communications network for voice, data, and video

Standard IT Services also includes the underlying mainframe and server infrastructure required to run agency applications, as well as data center management.

The MN.IT Tactical Plan establishes priorities aimed at making the IT infrastructure more efficient so we can focus MN.IT's staff, budget and creativity on the application-layer services that most directly make a difference for customers and citizens. Priorities for the coming biennium include:

- Combine all agency user active directory (AD) systems and resources into a single executive branch active directory system. An active directory (AD) authenticates and authorizes all users and computers in a Windows domain type network.
- Increase resiliency and versatility in the State network core in order to improve performance and to facilitate the movement to cloud-based services.
- Design and create an enterprise server environment and a managed hosting service that is delivered by a dedicated enterprise team, allowing the State to decrease the number of data centers it operates and the square footage of state data center space and to improve the security of the State's data assets.
- Initiate and operate a common mobile device management service to manage state and personally owned mobile devices that are permitted to have access to state resources and data.
- Create a single, centrally managed service desk and work management function and processes for all executive branch agencies.
- Combine individual agency SharePoint and other collaboration tools in order to leverage our investment in the cloud-based EUCC infrastructure.
- Embed security functionality and monitoring into enterprise infrastructure services such as hosting and storage.

RESULTS

<i>Type of Measure</i>	<i>Name of Measure</i>	<i>Previous</i>	<i>Current</i>	<i>Dates</i>
Quantity	Total data center space (square feet). Increased efficiency comes as a result of consolidating data centers into fewer square footage.	74,781	65,217	FY 2010, FY 2015
Results	Customer Survey Results. Percent of respondents reporting they are 'Very Satisfied, Satisfied, or Somewhat Satisfied'.	N.A.	97%	New March 2014
Results	State network core. On an annual basis, the percent of time the network is available to users.	99.95%	99.99%	FY 2014, FY 2015
Quantity	Disk capacity in TeraBytes (TB). Increase in capacity meets growth in demand for storage.	942	2,251	Aug 2013, Jul 2014
Results	Email availability. On an annual basis, the percent of time users have access to email.	99.950%	99.924%	Jul 2013, Jul 2014
Quantity	Email mailboxes. Expanded capacity accommodates a greater number of users.	40,016	48,388	Jan 2012, Jul 2014

MN.IT Services legal authority comes from M.S. 16E. (<https://www.revisor.leg.state.mn.us/statutes/?id=16E&view=chapter>)

Expenditures By Fund

	Actual		Actual FY14	Estimate FY15	Forecast Base		Governor's Recommendation	
	FY12	FY13			FY16	FY17	FY16	FY17
2001 - Other Misc Special Rev	1,562	1,872	1,111	3,789	1,203	62	1,203	62
5000 - Master Lease	3,782	9,808	4,105	6,879	12,764	10,000	12,764	10,000
5500 - Enterprise Technologies	37,046	35,794	78,143	98,202	134,468	135,688	134,468	135,688
Total	42,390	47,474	83,359	108,870	148,435	145,750	148,435	145,750
<i>Biennial Change</i>				102,365		101,957		101,957
<i>Biennial % Change</i>				114		53		53
<i>Governor's Change from Base</i>								0
<i>Governor's % Change from Base</i>								0

Expenditures by Category

Compensation	8,007	8,694	24,270	26,051	55,364	56,361	55,364	56,361
Operating Expenses	29,804	28,191	51,797	64,105	66,026	65,178	66,026	65,178
Other Financial Transactions	2,512	3,439	3,453	10,134	10,178	10,140	10,178	10,140
Grants, Aids and Subsidies		0	17					
Capital Outlay-Real Property	2,067	7,149	3,821	8,580	16,867	14,071	16,867	14,071
Total	42,390	47,474	83,359	108,870	148,435	145,750	148,435	145,750

<u>Full-Time Equivalents</u>	80.9	86.2	225.9	247.6	538.0	538.0	538.0	538.0
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Budget Activity: IT Standard Services

Budget Activity Financing by Fund

(Dollars in Thousands)

2001 - Other Misc Special Rev

	Actual		Actual FY 14	Estimate FY15	Forecast Base		Governor's Recommendation	
	FY12	FY 13			FY16	FY17	FY16	FY17
Balance Forward In	2,138	2,785	18,511	5,054	1,265	62	1,265	62
Receipts	165	1,163	201	0	0	0	0	0
Net Transfers		16,281	(12,546)					
Expenditures	1,562	1,872	1,111	3,789	1,203	62	1,203	62
Balance Forward Out	740	18,357	5,054	1,265	62		62	
<i>Biennial Change in Expenditures</i>				1,466		(3,635)		(3,635)
<i>Biennial % Change in Expenditures</i>				43		(74)		(74)
<i>Gov's Exp Change from Base</i>								0
<i>Gov's Exp % Change from Base</i>								0
FTEs			0.2	0.3	0	0	0	0

5000 - Master Lease

	Actual		Actual FY 14	Estimate FY15	Forecast Base		Governor's Recommendation	
	FY12	FY 13			FY16	FY17	FY16	FY17
Balance Forward In		0	0					
Receipts	3,782	9,808	4,105	6,879	12,764	10,000	12,764	10,000
Expenditures	3,782	9,808	4,105	6,879	12,764	10,000	12,764	10,000
<i>Biennial Change in Expenditures</i>				(2,606)		11,780		11,780
<i>Biennial % Change in Expenditures</i>				(19)		107		107
<i>Gov's Exp Change from Base</i>								0
<i>Gov's Exp % Change from Base</i>								0

5500 - Enterprise Technologies

	Actual		Actual FY 14	Estimate FY15	Forecast Base		Governor's Recommendation	
	FY12	FY 13			FY16	FY17	FY16	FY17
Balance Forward In	10,737	9,231	13,689	11,741	1,685	1,626	1,685	1,626
Receipts	33,933	39,024	143,974	97,907	134,410	135,732	134,410	135,732
Net Transfers		(1,006)	(67,780)	(9,762)				
Expenditures	37,046	35,794	78,143	98,202	134,468	135,688	134,468	135,688
Balance Forward Out	7,624	11,455	11,741	1,685	1,626	1,670	1,626	1,670
<i>Biennial Change in Expenditures</i>				103,505		93,812		93,812
<i>Biennial % Change in Expenditures</i>				142		53		53
<i>Gov's Exp Change from Base</i>								0
<i>Gov's Exp % Change from Base</i>								0
FTEs	80.9	86.2	225.7	247.2	538.0	538.0	538.0	538.0

Program: MN.IT Services

Activity: Application Developmnt/Support

<http://mn.gov/mnit/>

AT A GLANCE

- Responsible for 2,200 business applications that are used for state programs and functions, many of which are used directly by citizens. For example, applications assist with tax revenue collection, statewide budgeting, state permits, offender records, and grants for public schools.
- Contract management for application customization and/or design and builds.

PURPOSE & CONTEXT

Applications are the systems state government uses to deliver services to the people of Minnesota. These include both highly visible (citizen-facing) applications as well as behind-the-scenes (back-office) applications that operate the day-to-day business of the State. MN.IT develops, manages and supports all state applications, both enterprise-level and agency-specific, and this budget activity covers both enterprise and agency based functions.

SERVICES PROVIDED

The activities listed below are the necessary components for the development and support of both internally- and externally-facing applications:

- Application development--the process of defining business and security requirements, design, build, and testing of business applications
- Application support--on-going management of business applications and systems
- Business intelligence and analysis--software applications used to aggregate and analyze data for decision making and planning
- Database administration--design, implementation and maintenance of specialized software
- Middleware administration--design, implementation and maintenance of the software layer that sits between software components and user applications
- Web content management system(s)--website development, content management, and web hosting
- Geospatial tools and applications--applications involving the storage and processing of electronic maps and related data

MN.IT's Tactical Plan, updated in March 2014, sets the following Applications priorities over the coming biennium:

- Transition state websites to common web content management applications
- Migrate individual agency geospatial data and services to the new shared infrastructure, referred to as the Minnesota Geospatial Commons
- Emphasize the development and use of web-based tools and mobile technology to allow citizens to efficiently transact business with government
- Execute the development and implementation of the 2014-15 biennium portfolio of business application development projects (BIT Projects), consisting of both enterprise wide applications (such as an upgrade of the statewide accounting and financial system), and individual agency-specific applications. These projects include new applications as well as the modernization of existing systems for the purposes of functionality and security, including a number of vital systems at the Department of Human Services.

RESULTS

<i>Type of Measure</i>	<i>Name of Measure</i>	<i>Previous</i>	<i>Current</i>	<i>Dates</i>
Quality	Digital State Survey by the Center for Digital Government, a review of all 50 states' electronic government capabilities	A-	B+	Sept 2013, Sept 2014
Quantity	Number of enterprise-wide software licenses	4	7	FY13, FY15
Results	Cost avoidance from leveraging shared applications and through enterprise contract negotiations	\$11,522,453	\$14,762,045	2013, 2014

MN IT Services legal authority comes from M.S. 16E. (<https://www.revisor.leg.state.mn.us/statutes/?id=16E&view=chapter>)

Expenditures By Fund

	Actual		Actual FY14	Estimate FY15	Forecast Base		Governor's Recommendation	
	FY12	FY13			FY16	FY17	FY16	FY17
1000 - General	10	720	766	834	800	800	838	876
2000 - Restricted Misc Special Rev	5,432	3,564	4,303	5,055	2,533	2,514	2,533	2,514
2001 - Other Misc Special Rev	3,117	125	2,961	2,934	868	0	868	0
2302 - Clean Water Fund	93	0	0	0	0	0	0	0
3000 - Federal	190	60	85	0	0	0	0	0
5500 - Enterprise Technologies	31,034	34,750	37,312	67,318	193,874	198,416	193,874	198,416
Total	39,876	39,219	45,428	76,141	198,074	201,730	198,112	201,806
<i>Biennial Change</i>				42,473		278,236		278,350
<i>Biennial % Change</i>				54		229		229
<i>Governor's Change from Base</i>								114
<i>Governor's % Change from Base</i>								0

Expenditures by Category

Compensation	11,364	12,209	18,115	28,114	124,694	126,796	124,732	126,872
Operating Expenses	27,797	25,205	26,807	47,680	72,071	73,683	72,071	73,683
Other Financial Transactions	594	1,805	162	298	1,261	1,203	1,261	1,203
Grants, Aids and Subsidies			3					
Capital Outlay-Real Property	121	0	341	48	48	48	48	48
Total	39,876	39,219	45,428	76,141	198,074	201,730	198,112	201,806

<u>Full-Time Equivalents</u>	123.5	115.9	158.4	260.1	1,175.4	1,175.4	1,175.4	1,175.4
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Budget Activity: Application
Development/Support

Budget Activity Financing by Fund

(Dollars in Thousands)

1000 - General

	Actual		Actual FY 14	Estimate FY15	Forecast Base		Governor's Recommendation	
	FY12	FY 13			FY16	FY17	FY16	FY17
Balance Forward In		13		34				
Direct Appropriation	10	800	800	800	800	800	838	876
Net Transfers		(89)						
Cancellations		5						
Expenditures	10	720	766	834	800	800	838	876
Balance Forward Out			34					
<i>Biennial Change in Expenditures</i>				870		0		114
<i>Biennial % Change in Expenditures</i>				119		0		7
<i>Gov's Exp Change from Base</i>								114
<i>Gov's Exp % Change from Base</i>								7
FTEs	6.6	6.4	5.7	6.4	6.4	6.4	6.4	6.4

2000 - Restricted Misc Special Rev

	Actual		Actual FY 14	Estimate FY15	Forecast Base		Governor's Recommendation	
	FY12	FY 13			FY16	FY17	FY16	FY17
Balance Forward In	1,968	2,761	5,513	6,941	6,942	9,464	6,942	9,464
Receipts	4,882	5,142	5,732	5,055	5,055	5,055	5,055	5,055
Expenditures	5,432	3,564	4,303	5,055	2,533	2,514	2,533	2,514
Balance Forward Out	1,418	4,339	6,941	6,942	9,464	12,005	9,464	12,005
<i>Biennial Change in Expenditures</i>				362		(4,311)		(4,311)
<i>Biennial % Change in Expenditures</i>				4		(46)		(46)
<i>Gov's Exp Change from Base</i>								0
<i>Gov's Exp % Change from Base</i>								0
FTEs	5.7	5.3	2.4	6.0	3.0	3.0	3.0	3.0

2001 - Other Misc Special Rev

	Actual		Actual FY 14	Estimate FY15	Forecast Base		Governor's Recommendation	
	FY12	FY 13			FY16	FY17	FY16	FY17
Balance Forward In	3,816	200		3,802	868		868	
Direct Appropriation			0	0	0	0	0	0
Receipts	908	124	280	0	0	0	0	0
Net Transfers		(200)	6,483					
Expenditures	3,117	125	2,961	2,934	868	0	868	0
Balance Forward Out	1,607		3,802	868				
<i>Biennial Change in Expenditures</i>				2,653		(5,027)		(5,027)
<i>Biennial % Change in Expenditures</i>				82		(85)		(85)

Budget Activity: Application
Development/Support

Budget Activity Financing by Fund

(Dollars in Thousands)

2001 - Other Misc Special Rev

Gov's Exp Change from Base									0
Gov's Exp % Change from Base									0
FTEs	6.8	0.5	0.4	2.1	0.0	0.0	0.0	0.0	0.0

2302 - Clean Water Fund

	Actual		Actual FY 14	Estimate FY15	Forecast Base		Governor's Recommendation		
	FY12	FY 13			FY16	FY17	FY16	FY17	
Balance Forward In	119								
Direct Appropriation	0	0	0	0	0	0	0	0	0
Net Transfers	(26)								
Expenditures	93	0	0	0	0	0	0	0	0
Biennial Change in Expenditures				(93)		0			0
Biennial % Change in Expenditures				(100)		0			0
Gov's Exp Change from Base									0
Gov's Exp % Change from Base									0

3000 - Federal

	Actual		Actual FY 14	Estimate FY15	Forecast Base		Governor's Recommendation		
	FY12	FY 13			FY16	FY17	FY16	FY17	
Receipts	190	61	85	0	0	0	0	0	0
Expenditures	190	60	85	0	0	0	0	0	0
Biennial Change in Expenditures				(165)		(85)			(85)
Biennial % Change in Expenditures				(66)		(100)			(100)
Gov's Exp Change from Base									0
Gov's Exp % Change from Base									0
FTEs		0	0.4	0.4					

5500 - Enterprise Technologies

	Actual		Actual FY 14	Estimate FY15	Forecast Base		Governor's Recommendation	
	FY12	FY 13			FY16	FY17	FY16	FY17
Balance Forward In	9,250	6,511	6,510	478	1,253	1,456	1,253	1,456
Direct Appropriation			0	0	0	0	0	0
Receipts	28,295	34,749	0	66,261	194,077	198,025	194,077	198,025
Net Transfers			31,280	1,833				
Expenditures	31,034	34,750	37,312	67,318	193,874	198,416	193,874	198,416
Balance Forward Out	6,511	6,510	478	1,253	1,456	1,065	1,456	1,065
Biennial Change in Expenditures				38,846		287,661		287,661
Biennial % Change in Expenditures				59		275		275

Budget Activity: Application
 Developmnt/Support

Budget Activity Financing by Fund

(Dollars in Thousands)

5500 - Enterprise Technologies

<i>Gov's Exp Change from Base</i>									0
<i>Gov's Exp % Change from Base</i>									0
FTEs	104.4	103.8	149.4	245.2	1,166.0	1,166.0	1,166.0	1,166.0	1,166.0

Program: MN.IT Services

Activity: Projects/Initiatives

<http://mn.gov/mnit/>

AT A GLANCE

- Project management policies and standards
- MN.IT's portfolio includes:
 - 40 enterprise projects, including projects to implement organizational and service improvements as outlined in MN.IT's Tactical Plan
 - Agency-specific projects (services shared by several agencies or unique agency business applications and services)
 - 18 biennial IT (BIT) projects requested by agencies and managed by MN.IT

PURPOSE & CONTEXT

Projects & Initiatives is responsible for the on-time and on-budget delivery of approved projects, both enterprise and agency specific. Their work focuses on citizen-facing systems development as well as smaller, internal systems development, upgrades and operational improvements. An example of a citizen-facing system is the Department of Employment and Economic Development's Unemployment Insurance system, which enables citizens to apply for and obtain unemployment insurance benefits through an online, self-service system.

SERVICES PROVIDED

Projects and Initiatives include all of the activities related to the development and operation of IT project and portfolio management for the State. This includes:

- Enterprise project and portfolio management, including creation of standards for project management, business analysis and quality assurance.
- Enterprise-level projects such as Tridion (web content management system).
- Agency-based projects as approved by business and outlined in MN.IT service level agreements. This includes projects budgeted in agency-based office budgets, projects that stem from agency-contributed funds to the special Odyssey fund, and FY 2014-15 biennial IT (BIT) business application projects for agencies (\$12.6 million in FY 2015).
- Development and operations around project standards and governance.

RESULTS

<i>Type of Measure</i>	<i>Name of Measure</i>	<i>Previous</i>	<i>Current</i>	<i>Dates</i>
Quantity	Number of projects completed	91	100	FY 2011-12, FY 2013-14

MN.IT Services legal authority comes from M.S. 16E(<https://www.revisor.leg.state.mn.us/statutes/?id=16E&view=chapter>)

Expenditures By Fund

	Actual		Actual FY14	Estimate FY15	Forecast Base		Governor's Recommendation	
	FY12	FY13			FY16	FY17	FY16	FY17
1000 - General	0	0	2,074	11,267	690	1,000	690	1,000
2000 - Restricted Misc Special Rev	0	0	334	5,136	310	0	310	0
2001 - Other Misc Special Rev	990	489	2,795	1,753	384	0	384	0
5500 - Enterprise Technologies	5,872	7,851	7,539	41,969	25,257	13,918	25,257	13,918
Total	6,862	8,340	12,742	60,126	26,641	14,918	26,641	14,918
<i>Biennial Change</i>				57,665		(31,308)		(31,308)
<i>Biennial % Change</i>				379		(43)		(43)
<i>Governor's Change from Base</i>								0
<i>Governor's % Change from Base</i>								0

Expenditures by Category

Compensation	2,936	3,530	4,437	7,615	3,986	4,057	3,986	4,057
Operating Expenses	3,317	3,941	7,578	51,222	21,916	10,122	21,916	10,122
Other Financial Transactions	371	536	697	889	539	539	539	539
Capital Outlay-Real Property	238	333	30	400	200	200	200	200
Total	6,862	8,340	12,742	60,126	26,641	14,918	26,641	14,918
<u>Full-Time Equivalents</u>	30.0	35.7	40.0	67.3	26.7	26.7	26.7	26.7

Budget Activity: Projects/Initiatives

Budget Activity Financing by Fund

(Dollars in Thousands)

1000 - General

	Actual		Actual FY 14	Estimate FY15	Forecast Base		Governor's Recommendation	
	FY12	FY 13			FY16	FY17	FY16	FY17
Balance Forward In			0	6,852	1,690	1,000	1,690	1,000
Direct Appropriation			0	0	0	0	0	0
Net Transfers			8,926	6,106	0	0	0	0
Expenditures	0	0	2,074	11,267	690	1,000	690	1,000
Balance Forward Out			6,852	1,690	1,000		1,000	
<i>Biennial Change in Expenditures</i>				13,341		(11,651)		(11,651)
<i>Biennial % Change in Expenditures</i>						(87)		(87)
<i>Gov's Exp Change from Base</i>								0
<i>Gov's Exp % Change from Base</i>								0
FTEs				28.0				

2000 - Restricted Misc Special Rev

	Actual		Actual FY 14	Estimate FY15	Forecast Base		Governor's Recommendation	
	FY12	FY 13			FY16	FY17	FY16	FY17
Balance Forward In				2,646	310		310	
Net Transfers			2,980	2,800				
Expenditures	0	0	334	5,136	310	0	310	0
Balance Forward Out			2,646	310				
<i>Biennial Change in Expenditures</i>				5,470		(5,160)		(5,160)
<i>Biennial % Change in Expenditures</i>						(94)		(94)
<i>Gov's Exp Change from Base</i>								0
<i>Gov's Exp % Change from Base</i>								0

2001 - Other Misc Special Rev

	Actual		Actual FY 14	Estimate FY15	Forecast Base		Governor's Recommendation	
	FY12	FY 13			FY16	FY17	FY16	FY17
Balance Forward In	403		0	1,422	384		384	
Receipts	726	590	2,552	752	0	0	0	0
Net Transfers			1,664	(37)				
Expenditures	990	489	2,795	1,753	384	0	384	0
Balance Forward Out	139	100	1,422	384				
<i>Biennial Change in Expenditures</i>				3,068		(4,164)		(4,164)
<i>Biennial % Change in Expenditures</i>				207		(92)		(92)
<i>Gov's Exp Change from Base</i>								0
<i>Gov's Exp % Change from Base</i>								0
FTEs			0.2	0.2	0	0	0	0

2001 - Other Misc Special Rev

5500 - Enterprise Technologies

	Actual		Actual FY 14	Estimate FY15	Forecast Base		Governor's Recommendation	
	FY12	FY 13			FY16	FY17	FY16	FY17
Balance Forward In	1,833	1,302	1,302	89	398	387	398	387
Direct Appropriation	0	0	0	0	0	0	0	0
Receipts	5,340	7,849	0	40,175	25,246	14,204	25,246	14,204
Net Transfers			6,326	2,104				
Expenditures	5,872	7,851	7,539	41,969	25,257	13,918	25,257	13,918
Balance Forward Out	1,302	1,300	89	398	387	673	387	673
<i>Biennial Change in Expenditures</i>				35,786		(10,334)		(10,334)
<i>Biennial % Change in Expenditures</i>				261		(21)		(21)
<i>Gov's Exp Change from Base</i>								0
<i>Gov's Exp % Change from Base</i>								0
FTEs	30.0	35.7	39.8	39.1	26.7	26.7	26.7	26.7

Program: MN.IT Services

Activity: Leadership

<http://mn.gov/mnit/>

AT A GLANCE

IT Leadership includes the following functions:

- State Chief Information Officer (CIO) office (strategy, direction, planning)
- IT Management
- Procurement/Contracts for 475 contracts and over 3,000 purchase orders
- Administrative Support
- Financial Management for \$450 million in IT spending
- Human Resources for 2,200 employees
- Customer Support and Service Development
- Security Services
- Architecture
- Communications and Planning

PURPOSE & CONTEXT

IT leadership covers the administrative and oversight functions of an agency with over 30 locations. It provides the management strategy and high-level tactics that help MN.IT Services fulfill its mission and provides organizational management based on the agency's five key operational strategies. In addition, IT leadership develops and guides IT consolidation priorities and projects. Key partners are the Governor's Office, the legislature, agency business leadership and MN.IT services management and staff.

SERVICES PROVIDED

The functions listed above provide the leadership, planning, and support that allow IT services to be delivered to customers in a high-value and cost-effective manner. IT leadership priorities for the FY 2016-17 biennium are:

- Establish an enterprise architecture reference model that provides a clear blueprint of recommended technologies and transitions
- IT spend to a managed portfolio of strategic products
- Complete financial consolidation whereby all IT funding and budgets are the responsibility of and managed by MN.IT Services and all IT services are billed back to customers based on service rates
- Migrate all agency geospatial infrastructure to the new shared infrastructure (Minnesota Geospatial Commons)
- Implement standard tools for all projects managed by MN.IT
- Deliver core security services to the executive branch as efficiently and effectively as possible by reorganizing staff and optimizing security service delivery processes
- Implement improvements in the next-generation service level agreement (SLA) that specifically define customer expectations and service results
- Manage the migration of infrastructure workloads from agency-based offices to enterprise services
- Enterprise license agreements for commercial and cloud-based applications

RESULTS

<i>Type of Measure</i>	<i>Name of Measure</i>	<i>Previous</i>	<i>Current</i>	<i>Dates</i>
Quantity	IT Spend percent of total state expenditures . As a comparison, Gartner, a marketing research firm, reported IT Spend (as a % of expenditures) for all state/local government entities in their survey as follows: FY14, 2.25%; FY15, 2.1%.	1.49%	1.32%	FY12-13, FY14-15
Quantity	Average amount spent for employee development (training) per IT staff	\$505	\$939	FY12/13, FY14/15

<i>Type of Measure</i>	<i>Name of Measure</i>	<i>Previous</i>	<i>Current</i>	<i>Dates</i>
Results	Annual customer survey-'Very Satisfied/Satisfied/Somewhat Satisfied'	N/A	97%	March 2014
Quantity	Number of agencies adopting Geographic Information Services (GIS) technology	16	17	FY13, FY15
Quality	Percent service level agreements complete and up-to-date	100%	100%	FY13, FY15

MN.IT Services legal authority comes from M.S. 16E. (<https://www.revisor.leg.state.mn.us/statutes/?id=16E&view=chapter>)

(Dollars in Thousands)

Expenditures By Fund

	Actual		Actual FY14	Estimate FY15	Forecast Base		Governor's Recommendation	
	FY12	FY13			FY16	FY17	FY16	FY17
1000 - General	4,766	6,158	1,515	1,693	1,606	1,606	1,663	1,721
2000 - Restricted Misc Special Rev	52	197	147	298	0	0	0	0
2001 - Other Misc Special Rev	1,008	1,030	1,818	3,827	3,229	1,691	3,229	1,691
5500 - Enterprise Technologies	16,880	12,569	30,387	41,038	52,620	53,313	52,620	53,313
Total	22,706	19,954	33,867	46,856	57,454	56,609	57,511	56,724
<i>Biennial Change</i>				38,063		33,340		33,512
<i>Biennial % Change</i>				89		41		42
<i>Governor's Change from Base</i>								172
<i>Governor's % Change from Base</i>								0

Expenditures by Category

Compensation	10,268	12,410	22,192	24,038	43,263	44,016	43,320	44,131
Operating Expenses	6,290	7,268	7,653	17,641	13,841	12,271	13,841	12,271
Other Financial Transactions	6,148	266	4,022	5,178	351	323	351	323
Grants, Aids and Subsidies		9	0					
Total	22,706	19,954	33,867	46,856	57,454	56,609	57,511	56,724
<u>Full-Time Equivalent</u>	94.9	117.1	206.5	224.8	373.8	373.8	373.8	373.8

Budget Activity: Leadership

Budget Activity Financing by Fund

(Dollars in Thousands)

1000 - General

	Actual		Actual FY 14	Estimate FY15	Forecast Base		Governor's Recommendation	
	FY12	FY 13			FY16	FY17	FY16	FY17
Balance Forward In		1,266		88				
Direct Appropriation	5,971	5,179	1,631	1,631	1,631	1,631	1,688	1,746
Net Transfers	(20)	(256)	(29)	(25)	(25)	(25)	(25)	(25)
Cancellations		31						
Expenditures	4,766	6,158	1,515	1,693	1,606	1,606	1,663	1,721
Balance Forward Out	1,185		88					
<i>Biennial Change in Expenditures</i>				(7,716)		4		176
<i>Biennial % Change in Expenditures</i>				(71)		0		5
<i>Gov's Exp Change from Base</i>								172
<i>Gov's Exp % Change from Base</i>								5
FTEs	22.3	27.4	10.2	8.3	8.3	8.3	8.3	8.3

2000 - Restricted Misc Special Rev

	Actual		Actual FY 14	Estimate FY15	Forecast Base		Governor's Recommendation	
	FY12	FY 13			FY16	FY17	FY16	FY17
Balance Forward In		182	4	147	139	429	139	429
Net Transfers	230	20	290	290	290	290	290	290
Expenditures	52	197	147	298	0	0	0	0
Balance Forward Out	178	4	147	139	429	719	429	719
<i>Biennial Change in Expenditures</i>				195		(445)		(445)
<i>Biennial % Change in Expenditures</i>				78		(100)		(100)
<i>Gov's Exp Change from Base</i>								0
<i>Gov's Exp % Change from Base</i>								0
FTEs	0.5	1.0	1.0	2.0	0	0	0	0

2001 - Other Misc Special Rev

	Actual		Actual FY 14	Estimate FY15	Forecast Base		Governor's Recommendation	
	FY12	FY 13			FY16	FY17	FY16	FY17
Balance Forward In	118	938	1,318	5,414	3,315	1,777	3,315	1,777
Receipts	1,061	1,408	1,493	1,691	1,691	1,691	1,691	1,691
Net Transfers	783		4,421	37				
Expenditures	1,008	1,030	1,818	3,827	3,229	1,691	3,229	1,691
Balance Forward Out	953	1,316	5,414	3,315	1,777	1,777	1,777	1,777
<i>Biennial Change in Expenditures</i>				3,607		(725)		(725)
<i>Biennial % Change in Expenditures</i>				177		(13)		(13)
<i>Gov's Exp Change from Base</i>								0

Budget Activity: Leadership

Budget Activity Financing by Fund

(Dollars in Thousands)

2001 - Other Misc Special Rev

<i>Gov's Exp % Change from Base</i>									0
FTEs	5.7	6.1	8.2	11.2	11.2	11.2	11.2	11.2	11.2

5500 - Enterprise Technologies

	Actual		Actual	Estimate	Forecast Base		Governor's Recommendation	
	FY12	FY 13	FY 14	FY15	FY16	FY17	FY16	FY17
Balance Forward In	4,714	4,757	3,258	382	4,356	4,222	4,356	4,222
Direct Appropriation			0	0	0	0	0	0
Receipts	18,848	9,224	0	41,187	52,486	53,377	52,486	53,377
Net Transfers	(3,335)		27,512	3,825				
Expenditures	16,880	12,569	30,387	41,038	52,620	53,313	52,620	53,313
Balance Forward Out	3,347	1,412	382	4,356	4,222	4,287	4,222	4,287
<i>Biennial Change in Expenditures</i>				41,977		34,507		34,507
<i>Biennial % Change in Expenditures</i>				143		48		48
<i>Gov's Exp Change from Base</i>								0
<i>Gov's Exp % Change from Base</i>								0
FTEs	66.5	82.7	187.1	203.3	354.3	354.3	354.3	354.3

MN.IT Services
Standard IT Services, Application Development, Projects/Initiatives and Leadership.
5500 Fund
Revenues, Expenses and Changes in Net Assets
(Dollars in Thousands)

	Actual 2014	Projected 2015	Projected 2016	Projected 2017
Operating Revenues:				
Net Sales	148,671	245,530	406,219	401,338
Rental and Service Fees				
Insurance Premiums				
Other Income				
Total Operating Revenues	148,671	245,530	406,219	401,338
Gross Margin	148,671	245,530	406,219	401,338
Operating Expenses:				
Purchased Services	71,372	134,479	148,595	139,691
Salaries and Fringe Benefits	69,525	79,343	238,518	227,760
Claims				
Depreciation	5,419	6,571	9,023	10,481
Amortization				
Supplies and Materials	6,638	22,321	23,967	22,587
Indirect Costs	371	642	642	642
Other Expenses	18			
Total Operating Expenses	153,343	243,356	420,745	401,161
Operating Income (Loss)	(4,672)	2,175	(14,526)	177
Nonoperating Revenues (Expenses):				
Investment Income	62	78	95	95
Interest and Financing Costs	(176)	(220)	(270)	(270)
Other Nonoperating Expenses	(3,831)	(4,900)	(4,955)	(4,955)
Gain (Loss) on Disposal of Capital Assets				
Total Nonoperating Revenues (Expenses)	(3,945)	(5,043)	(5,130)	(5,130)
Income (Loss) Before Transfers and Contributions	(8,617)	(2,868)	(19,656)	(4,953)
Capital Contributions				
Transfers in	233			
Transfers out				
Change in Net Assets	(8,384)	(2,868)	(19,656)	(4,953)
Net Assets, Beginning as Reported	27,336	18,952	16,084	(3,572)
Net Assets, Ending	18,952	16,084	(3,572)	(8,525)
Rate increase/(decrease)				
Full Time Equivalents	602	735	2085	2085

MN.IT Services
Standard IT Services, Application Development, Projects/Initiatives and Leadership.
5500 Fund
Net Assets
(Dollars in Thousands)

	Actual 2014	Projected 2015
ASSETS		
Current Assets:		
Cash and Cash Equivalents	2,196	1,621
Investments		
Accounts Receivable	30,810	18,000
Accrued Investment/Interest Income		
Inventories		
Deferred Costs	10,369	13,172
Total Current Assets	43,375	32,793
Noncurrent Assets:		
Deferred Costs	679	
Depreciable Capital Assets (Net)	14,727	16,969
Total Noncurrent Assets	15,406	16,969
Total Assets	58,781	49,762
LIABILITIES		
Current Liabilities:		
Accounts Payable	10,502	3,000
Interfund Payables	2,000	
Unearned Revenue	6,422	6,422
Loans Payable	4,862	6,000
Compensated Absences Payable	802	802
Total Current Liabilities	24,588	16,224
Noncurrent Liabilities:		
Loans Payable	8,076	9,037
Compensated Absences Payable	6,910	8,162
Other Liabilities	255	255
Total Noncurrent Liabilities	15,241	17,454
Total Liabilities	39,829	33,678
NET ASSETS		
Invested in Capital Assets, Net of Related Debt	635	1,932
Unrestricted	18,317	14,152
Total Net Assets	18,952	16,084

MN.IT Services
Standard IT Services, Application Development, Projects/Initiatives and Leadership.
5500 Fund
Brief Narrative

Background:

MN.IT Services (Fund 5500) operates as an internal service fund and provides enterprise IT services (central services) and agency based IT services (agency services) to mainly the executive branch and some enterprise services to other Minnesota government customers.

Detail of any loans from the general fund, including dollar amounts:

Cash flow assistance of \$27 million was obtained from MMB in accordance with cash flow authority as per Laws of 2013, Chapter 142, Article 1, Section 10. These funds will be repaid by June 30, 2015.

Proposed investments in technology or equipment of \$100,000 or more:

Various IT investments are proposed in Datacenter consolidation and upgrades to the Hosting environment (mainframe and server)

Explanation of changes in net assets (formerly retained earnings increases, operating losses):

In FY2014 Net Assets decreased from \$27 million to \$18 million largely due to the inheritance of the compensated absence liability for employees that have transferred to MN.IT Services from other agencies as a result of financial IT Consolidation. The trend of further reductions in Net Assets is projected for FY15-19 as employees financially transition to MN.IT Services as well as other planned reductions to keep rates stable.

Explain any reasons for rate changes:

MN.IT Services has incorporated a \$1.5 million rate reduction in the BY2015 rates. There were no rate increases to any existing services and some new services were added to the portfolio. The goal in BY2016 and BY2017 is to keep rates stable with some targetted decreases in some services.

Impact of rate changes on affected agencies:

The impact of rate changes to agencies should be minimal.