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Office of MN.IT Services

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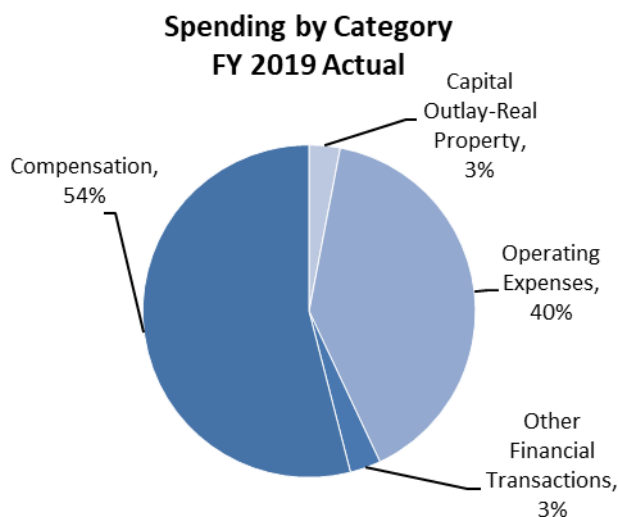
AT A GLANCE

- 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 over 2,400 IT employees in FY 2020
- Hosting and support of more than 2,800 agency applications in FY 2020
- Manages security for systems and applications at 135 locations
- Oversight of executive branch IT application and project portfolio

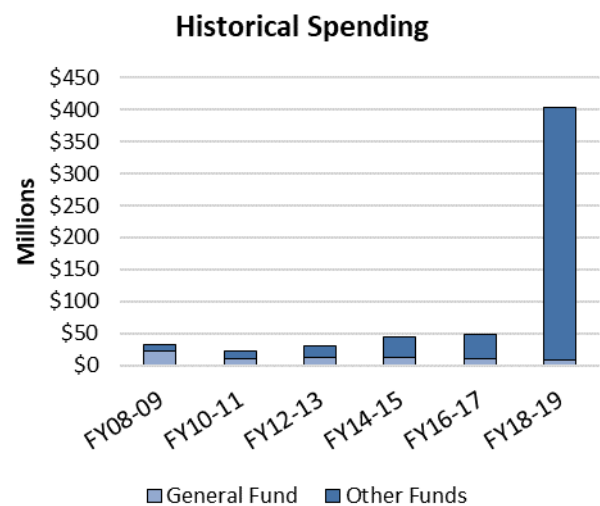
PURPOSE

We partner with Minnesota state agencies to deliver technology solutions that transform how government connects to provide services for the people of Minnesota.

BUDGET



Source: Budget Planning & Analysis System (BPAS)



Note: This chart excludes enterprise chargebacks to agencies and includes other agency funds dedicated to Information and Telecommunications Account projects.

Source: Consolidated Fund Statement

The Office of Minnesota IT Services (MN.IT) spending is funded by chargebacks to agencies for IT services through the enterprise technology fund, direct pass-through bill to agencies for IT applications and projects through the special revenue fund, and IT governance through the general fund. In FY 2019 direct agency pass-through expenses were re-classified from the enterprise technology fund to the special revenue fund resulting in the apparent increase in spending between FY 2016-17 and FY 2018-19. Chargebacks through the internal service fund for IT services are not included in the above bar chart. General fund appropriations provide funding for the Chief Information Officer (CIO) office, enterprise security, and geospatial (MnGeo) functions and some projects. MN.IT received an additional \$5 million per year appropriation beginning in FY 2020-21 for enhancements to cybersecurity across state government to provide for additional staff, professional technical staff, and software. Total IT spend from all funds was \$645 million in FY 2019.

Since the Legislature enacted IT consolidation in FY 2011, MN.IT consolidated finances, purchasing, data centers, and commodity IT services to provide efficiency and economies for the state. Current enterprise service projects focus on those IT functions that can be more efficiently delivered through a centralized service. These projects are managed in stages to avoid disruption to state business and for efficiency.

STRATEGIES

MN.IT partners with state agencies to effectively deliver secure, reliable technology solutions to improve the lives of all Minnesotans. MN.IT's strategic direction is human-centered and focused on our end users - our business partners and the Minnesotans we serve every day. These principles are supported by the practice of a connected culture and servant leadership in order to establish an innovative and responsive government and support the development of inclusive technology solutions.

Effectively delivering IT services touches the lives of all Minnesotans. MN.IT delivers and supports solutions that enable our state agency business partners to more efficiently and effectively achieve their missions. Across the executive branch, MN.IT provides technology that connects Minnesotans with access to health insurance, helps ensure public safety, enables effective commerce, and connects Minnesotans with outdoor recreation opportunities. MN.IT also works to lower technology accessibility barriers that support a diverse and inclusive workplace; and provide solutions that deliver accountability and transparency and ensure program integrity.

Bolstering cybersecurity strategy and protection is crucial to ensuring Minnesotans maintain access to important services and tools. With past legislative investment and the establishment of the Governor's Blue Ribbon Council on IT's (BRC-IT) Cybersecurity subcommittee, MN.IT is able to focus on larger strategic objectives including prioritizing security through risk management practices and working to provide agency-specific recommendations around high-value investments.

The Blue Ribbon Council on IT has provided valuable recommendations to aid the State of Minnesota in transforming IT, and MN.IT is committed to advancing these recommendations with our business partners in this biennium. MN.IT is already laying the groundwork for implementing recommendations related to enhancing project and portfolio management. The Modernization Playbook will be a critical tool on the path to modernizing IT service delivery, and planning training and education to deliver on its adoption is a priority for MN.IT in this biennium.

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)

	Actual FY18	Actual FY19	Actual FY20	Estimate FY21	Forecast Base		Governor's Recommendation	
					FY22	FY23	FY22	FY23
<u>Expenditures by Fund</u>								
1000 - General	4,339	4,336	4,449	10,563	7,679	7,679	9,855	9,882
2000 - Restrict Misc Special Revenue	2,841	896	1,076	1,521	1,264	750	1,264	750
2001 - Other Misc Special Revenue	13,869	376,182	353,623	376,883	362,076	342,753	362,076	342,753
3010 - Coronavirus Relief			6,856	370				
5000 - Master Lease	9,372	11,314	9,421	10,610	6,865	11,525	6,865	11,525
5500 - MN.IT Services	483,105	169,316	197,090	201,137	202,113	207,707	202,113	207,707
Total	513,526	562,044	572,516	601,084	579,997	570,414	582,173	572,617
Biennial Change				98,029		(23,189)		(18,810)
Biennial % Change				9		(2)		(2)
Governor's Change from Base								4,379
Governor's % Change from Base								0

Expenditures by Program

IT for Minnesota Government	513,526	562,044	572,516	601,084	579,997	570,414	582,173	572,617
Total	513,526	562,044	572,516	601,084	579,997	570,414	582,173	572,617

Expenditures by Category

Compensation	278,813	297,839	315,644	315,640	348,872	344,320	348,948	344,923
Operating Expenses	203,138	226,960	227,450	257,390	200,029	189,064	202,129	190,664
Grants, Aids and Subsidies	6		7					
Capital Outlay-Real Property	12,415	18,158	9,920	12,122	16,063	21,923	16,063	21,923
Other Financial Transaction	19,154	19,087	19,496	15,932	15,033	15,107	15,033	15,107
Total	513,526	562,044	572,516	601,084	579,997	570,414	582,173	572,617

Full-Time Equivalent

	2,271.37	2,374.00	2,416.28	2,440.80	2,651.20	2,551.01	2,651.20	2,554.01
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(Dollars in Thousands)

	Actual FY18	Actual FY19	Actual FY20	Estimate FY21	Forecast Base FY22 FY23		Governor's Recommendation FY22 FY23	
1000 - General								
Balance Forward In	3,048	1,933	34	3,263				
Direct Appropriation	2,642	2,670	7,679	7,679	7,679	7,679	9,855	9,882
Transfers In	200	27		379				
Transfers Out	140	290		379				
Cancellations		3		379				
Balance Forward Out	1,411	1	3,263					
Expenditures	4,339	4,336	4,449	10,563	7,679	7,679	9,855	9,882
Biennial Change in Expenditures				6,337		346		4,725
Biennial % Change in Expenditures				73		2		31
Governor's Change from Base								4,379
Governor's % Change from Base								29
Full-Time Equivalents	15.31	13.52	20.48	26.90	26.90	26.90	26.90	29.90

2000 - Restrict Misc Special Revenue

Balance Forward In	6,892	4,816	4,220	3,484	2,303	1,379	2,303	1,379
Transfers In	340	340	340	340	340	340	340	340
Transfers Out		45						
Balance Forward Out	4,391	4,215	3,484	2,303	1,379	969	1,379	969
Expenditures	2,841	896	1,076	1,521	1,264	750	1,264	750
Biennial Change in Expenditures				(1,139)		(583)		(583)
Biennial % Change in Expenditures				(30)		(22)		(22)
Governor's Change from Base								0
Governor's % Change from Base								0
Full-Time Equivalents	2.19	2.35	3.35	3.38	3.02	2.67	3.02	2.67

2001 - Other Misc Special Revenue

Balance Forward In	30,874	20,081	39,202	24,200	7,806	2,352	7,806	2,352
Receipts	2,300	365,474	338,621	360,687	356,622	341,283	356,622	341,283
Transfers In		29,417						
Transfers Out	5	475		198				
Balance Forward Out	19,300	38,316	24,200	7,806	2,352	882	2,352	882
Expenditures	13,869	376,182	353,623	376,883	362,076	342,753	362,076	342,753
Biennial Change in Expenditures				340,455		(25,677)		(25,677)

MN.IT Services

Agency Financing by Fund

(Dollars in Thousands)

	Actual	Actual	Actual	Estimate	Forecast Base		Governor's Recommendation	
	FY18	FY19	FY20	FY21	FY22	FY23	FY22	FY23
Biennial % Change in Expenditures				87		(4)		(4)
Governor's Change from Base								0
Governor's % Change from Base								0
Full-Time Equivalents	25.86	1,707.34	1,633.85	1,632.52	1,843.28	1,743.44	1,843.28	1,743.44

3010 - Coronavirus Relief

Direct Appropriation			6,856	370	0	0	0	0
Expenditures			6,856	370				
Biennial Change in Expenditures				7,226		(7,226)		(7,226)
Biennial % Change in Expenditures						(100)		(100)
Governor's Change from Base								0
Governor's % Change from Base								0

5000 - Master Lease

Receipts	9,372	11,314	9,421	10,610	6,865	11,525	6,865	11,525
Expenditures	9,372	11,314	9,421	10,610	6,865	11,525	6,865	11,525
Biennial Change in Expenditures				(655)		(1,641)		(1,641)
Biennial % Change in Expenditures				(3)		(8)		(8)
Governor's Change from Base								0
Governor's % Change from Base								0

5500 - MN.IT Services

Balance Forward In	20,011	21,098	27,584	36,778	26,835	29,631	26,835	29,631
Receipts	475,646	174,501	214,291	199,660	205,035	205,035	205,035	205,035
Transfers In	14							
Transfers Out	5,286	6,019	8,007	8,466	126	126	126	126
Balance Forward Out	7,279	20,264	36,778	26,835	29,631	26,833	29,631	26,833
Expenditures	483,105	169,316	197,090	201,137	202,113	207,707	202,113	207,707
Biennial Change in Expenditures				(254,195)		11,593		11,593
Biennial % Change in Expenditures				(39)		3		3
Governor's Change from Base								0
Governor's % Change from Base								0
Full-Time Equivalents	2,228.01	650.79	758.60	778.00	778.00	778.00	778.00	778.00

(Dollars in Thousands)

	FY21	FY22	FY23	Biennium 2022-23
Direct				
Fund: 1000 - General				
FY2021 Appropriations	7,679	7,679	7,679	15,358
Forecast Base	7,679	7,679	7,679	15,358
Change Items				
Blue Ribbon Council Recommendations: Transforming IT Project Delivery to Maximize Business Value		2,100	2,050	4,150
Operating Adjustment		76	153	229
Total Governor's Recommendations	7,679	9,855	9,882	19,737
Fund: 3010 - Coronavirus Relief				
FY2021 Appropriations	370	370	370	740
Base Adjustments				
All Other One-Time Appropriations		(370)	(370)	(740)
Forecast Base	370	0	0	0
Total Governor's Recommendations	370	0	0	0
Dedicated				
Fund: 2000 - Restrict Misc Special Revenue				
Planned Spending	1,146	928	406	1,334
Forecast Base	1,146	928	406	1,334
Total Governor's Recommendations	1,146	928	406	1,334
Fund: 2001 - Other Misc Special Revenue				
Planned Spending	377,081	362,076	342,753	704,829
Forecast Base	377,081	362,076	342,753	704,829
Change Items				
Information and Telecommunications Account Funds Cancellation	(198)			
Total Governor's Recommendations	376,883	362,076	342,753	704,829
Fund: 5000 - Master Lease				
Planned Spending	10,610	6,865	11,525	18,390
Forecast Base	10,610	6,865	11,525	18,390
Total Governor's Recommendations	10,610	6,865	11,525	18,390
Fund: 5500 - MN.IT Services				
Planned Spending	201,137	202,113	207,707	409,820
Forecast Base	201,137	202,113	207,707	409,820
Total Governor's Recommendations	201,137	202,113	207,707	409,820

(Dollars in Thousands)

	FY21	FY22	FY23	Biennium 2022-23
Revenue Change Summary				
Dedicated				
Fund: 2001 - Other Misc Special Revenue				
Forecast Revenues	360,687	356,622	341,283	697,905
Total Governor's Recommendations	360,687	356,622	341,283	697,905
Fund: 5000 - Master Lease				
Forecast Revenues	10,610	6,865	11,525	18,390
Total Governor's Recommendations	10,610	6,865	11,525	18,390
Fund: 5500 - MN.IT Services				
Forecast Revenues	199,660	205,035	205,035	410,070
Total Governor's Recommendations	199,660	205,035	205,035	410,070

Change Item Title: Blue Ribbon Council Recommendations: Transforming IT Project Delivery to Maximize Business Value

Fiscal Impact (\$000s)	FY 2022	FY 2023	FY 2024	FY 2025
General Fund				
Expenditures	2,100	2,050	1,400	1,400
Revenues	0	0	0	0
Other Funds				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Net Fiscal Impact = (Expenditures – Revenues)	2,100	2,050	1,400	1,400
FTEs	0	3	8	8

Recommendation:

The Governor recommends \$4.15 million in FY22-23 and \$1.4 million each year after from the general fund for the Office of MN.IT Services (MN.IT) to align State business and Information Technology (IT) modernization practices to Blue Ribbon Council Recommendations by building enterprise leadership and governance capacity to support state business modernization efforts. This funding will accelerate the executive branch’s ability to adopt industry best practices that support business modernization by providing staffing and technology resources.

As stated in the June 2020 report from the Governor’s Blue Ribbon Council on Information Technology (BRC-IT), “For MN.IT to be successful in leading and coordinating IT modernization, operations, and security it must take an expanded role as the centralized leader and coordinator of IT governance in collaboration with state agencies. Executive and legislative branch leaders need to prioritize investments needed to support this expanded role.”

This funding supports creation and administration of enterprise technology modernization governance structures, and supports enterprise business and technology modernization efforts through the use of agile software development, business process analysis and redesign, product and vendor engagement and management, organizational change management, stakeholder engagement including local governments and tribal nations, and the regular assessment of commercial off-the-shelf technology solutions prior to undertaking any custom development effort. Adoption of these practices is intended to speed and maximize the delivery of business value through IT projects. This change item is intended to promote adoption of these practices in alignment with recommendations from the BRC-IT.

Rationale/Background:

The Minnesota State Government faces challenges with the rapid pace of technology change and the need to modernize many outdated legacy systems to meet the needs of Minnesotans now and in the future. Many of these legacy systems are costly to operate and maintain and are unable to meet demands for service and security of the data they process and store. For larger and more complex projects, typical methods of modernizing these systems often consume so much time that the technology solutions can change by the time the modernization has been completed. By modernizing and aligning state IT project management with industry best practices, the State can speed up the delivery of business value.

The state has roughly 350 complex IT projects in flight at any given time distributed across more than 70 agencies, boards, and commissions. These efforts range from multi-month to multi-year projects to multi-million-dollar

projects. This is in addition to numerous IT maintenance, hardware upgrade, and troubleshooting activities taking place at any given time across the state.

The BRC-IT recommended in its June report that the state adopt a “playbook” approach to IT modernization that identifies modernization activities that are critical success factors in modernizing business practices and technologies. These success factors include analyzing and reengineering business processes, increasing the engagement with vendors before committing to a technology solution, managing change, and using agile/iterative development approaches. The BRC-IT recognized that MN.IT would need to build governance and agency project support capacity in order to engage and partner with state agencies to lead the evolution of these practices.

Proposal:

This proposal will enable MN.IT to lead statewide governance of business and IT modernization efforts by engaging agency stakeholders and building capacity and capabilities to support agency modernization of business practices through education and resource support including business process analysis and reengineering, buy or build solution analysis, and enhanced project decision support systems for agency leadership.

Funding this proposal will enable MN.IT to engage a professional services firm with expertise in best practices for success factors defined in the BRC-IT modernization playbook recommendation to provide immediate capability, a state capacity building plan, and tool kits for MN.IT and state agencies. This investment will enable the state to deliver value more quickly and ensure that MN.IT and our state agency business partners are developing effective business and IT solutions and maximizing the value of IT project investments. This investment will also further the BRC-IT recommendations that bolster modernization outcomes through investments and activities that will do the following:

- 1) Improve project delivery by:**
 - a. Training project sponsors, key stakeholders, project managers, business analysts, and quality-assurance analysts to better clarify their roles and responsibilities, to inform project teams of project management policies and standards, and to share industry-accepted best practices.
 - b. Formalizing organizational change management processes and growing this discipline to guide the transformation to an agile and results-focused organization.
- 2) Deliver measurably improved project tracking and executive reporting of leading indicators for improving decision support for agency and MN.IT leadership. This would be done by:**
 - a. Providing MN.IT executives and other key stakeholders with real-time access to project and portfolio management reporting to improve decision-making abilities,
 - b. More fully controlling the Information Telecommunications Account funding program—based on Legislative Auditor findings, and
 - c. Implementing an action plan to improve the identification and mitigation of project risks, and to ensure that IT project proposals include quantifiable performance and success criteria against a set of tangible and measurable business outcomes.
- 3) Strengthen oversight of enterprise-wide project portfolio management to ensure that:**
 - a. Key projects are regularly reviewed to head off potential risks as early as possible,
 - b. Project-risk assessments and audits are more uniformly conducted, and that findings are addressed according to Minnesota statutory and other oversight body requirements,
 - c. Project sponsors and project team members are working in an environment with clear project-management policies and standards, common project-management tools, and best practices consistent across agencies,
 - d. Needed processes are in place to monitor and measure enterprise-wide compliance to state statutes and MN.IT project-management policies and standards.
- 4) Assess and verify delivered project benefits to:**
 - a. Ensure that projects are not started without clear benefit and success criteria as part of the overall project plan,

- b. Measure and monitor project progress against specified success criteria to ensure that projects are on target to deliver the promised benefits to stakeholders, and
- c. Validate project outcomes to accurately report on delivered benefits and missed opportunities.

This request also includes an investment in software tools necessary to enable the modernization of and greater consistency in project and portfolio management practices across the executive branch. These include software to fulfill needs identified during a gap analysis assessment to help with business intelligence and analytics, requirements management, portfolio management and quality assurance.

Equity and Inclusion:

Building agency and MN.IT capacity to implement the BRC-IT recommendations including the use of stakeholder engagement and business process analysis will contribute to modern technology solutions that will minimize access limitations to government services and increase the availability of those services to Minnesota’s increasingly diverse communities.

IT Related Proposals:

This request is for ongoing information technology staff-support, professional services for analysis, planning, implementation and training, as well as software investment.

(Numbers in thousands)

<i>Category</i>	<i>FY 2022</i>	<i>FY 2023</i>	<i>FY 2024</i>	<i>FY 2025</i>	<i>FY 2026</i>	<i>FY 2027</i>
Payroll		\$450	\$1,200	\$1,200	\$1,200	\$1,200
Professional/Technical Contracts	\$850	\$850	\$200	\$200		
Infrastructure						
Hardware						
Software	\$1,000	\$500				
Training	\$250	\$250				
Enterprise Services						
Staff costs (MN.IT or agency)						
Total	\$2,100	\$2,050	\$1,400	\$1,400	\$1,200	\$1,200
MN.IT FTEs	0	3	8	8	8	8
Agency FTEs	0	0	0	0	0	0

Results:

With this proposal, MNIT aims to reduce the percentage of IT projects that are delayed from their schedules.

<i>Type of Measure</i>	<i>Name of Measure</i>	<i>Current</i>	<i>Goal</i>
Quality	Reduce the percentage of delayed projects	25%	15%

Statutory Change(s):

No statutory changes are necessary.

Change Item Title: Operating Adjustment

Fiscal Impact (\$000s)	FY 2021	FY 2022	FY 2023	FY 2024	FY 2025
General Fund					
Expenditures	(379)	76	153	153	153
Revenues	0	0	0	0	0
Other Funds					
Expenditures	0	0	0	0	0
Revenues	0	0	0	0	0
Net Fiscal Impact = (Expenditures – Revenues)	(379)	76	153	153	153
FTEs	0	0	0	0	0

Recommendation:

The Governor recommends a reduction of \$379,000 to the FY 2021 general fund operating appropriation and additional funding of \$76,000 in FY 2022 and \$153,000 in each subsequent year to maintain the current level of leadership services provided by the CIO, MnGeo and Information Security Offices.

This represents an approximately 1.5% change for the biennium.

Rationale/Background:

The FY 2021 reduction to the operating budget reflects current year savings due to the state hiring freeze and other operating expense reductions, such as training and travel that did not occur as expected.

The operating increases recommended in FY 2022 and FY 2023 fund a portion of the projected cost increases in the upcoming biennium. Each year, the cost of doing business rises—including costs for employer-paid health care contributions and other salary and compensation-related costs. Other operating costs, like rent and lease, fuel and utilities, IT, Indirect costs and legal services also grow. These increases put pressure on agency operating budgets that remain flat from year to year.

Agencies face challenging decisions to manage these operating cost increases within existing budgets, while maintaining the services Minnesotans expect.

Proposal:

The Governor recommends reducing the FY 2021 general fund operating appropriation by \$379,000, due to the onetime savings and expense reductions related to the ongoing COVID crises. In addition, the Governor recommends increasing agency operating budgets to support to support on-going pressure from salary compensation increases. The recommended increase is below the assumed level of inflation.

Results:

This proposal is intended to allow the Office of MN.IT Services to continue to provide current levels of service and information to the public.

Change Item Title: Cash Flow Assistance

Fiscal Impact (\$000s)	FY 2022	FY 2023	FY 2024	FY 2025
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 authorization of cash flow assistance of up to \$50 million for Minnesota Information Technology Services (MN.IT) for the 2022-2023 biennium and repayment with interest by the end of the fiscal year 2023 closing period.

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 (2013 Statutes, 16E.14 MN.IT Services Revolving Fund Subd. 4. Cash Flow)

The assistance was authorized to address working capital needs due to a lengthy cash conversion cycle: the time between MN.IT incurring expenses on behalf of agencies (such as procurement and payroll expenses) and receipt of agency payments for those expenses. MN.IT has learned over the past several years that the volume of purchases processed on behalf of larger agencies places significant pressure on the cash flow conversion cycle. The current cash conversion cycle ranges between 30-90 days.

There is no net cost impact to the general fund since this is a cash assistance that will be repaid – with interest – by the end of the biennium.

Proposal:

Cash flow assistance has been requested and included in session language in prior years. While this proposal relates to fiscal policy, it does not require any new appropriations. All funds will be repaid with interest to MMB by fiscal year 2023 closing period date. MN.IT bills in arrears and has a current cash conversion cycle that ranges from 30-90 days. The proposed cash assistance is needed to manage MN.IT’s cash flow effectively.

Equity and Inclusion:

The request for cash flow assistance and the amended timelines do not impact equity and inclusion.

IT Related Proposals:

There are no project costs or funding recommendations associated with this proposal.

Statutory Change(s):

This proposal does not require statutory changes.

Change Item Title: Information and Telecommunications Account Funds Cancellation

Fiscal Impact (\$000s)	FY 2021	FY 2022	FY 2023	FY 2024	FY 2025
General Fund					
Expenditures	0	0	0	0	0
Transfer In	179	0	0	0	0
Workers Compensation Fund					
Expenditures	0	0	0	0	0
Transfer In	14	0	0	0	0
Health-Related Boards Fund					
Expenditures	0	0	0	0	0
Transfer In	5	0	0	0	0
Net Fiscal Impact = (Expenditures – Transfers In)	198	0	0	0	0
FTEs	0	0	0	0	0

Recommendation:

The Governor recommends cancelling funding remaining from several IT projects that have been completed and no longer require funding. With this recommendation, the money will cancel to the fund from which the resources were originally appropriated and, therefore, create savings in those funds.

Rationale/Background:

There are a number of technology projects funded from the Information and Telecommunications Account (ITA), often known as the “Odyssey Fund,” which have been completed but have funding remaining in the account. The remaining funds are no longer needed, and this proposal would cancel the money to the funds from which it originally came, thus creating savings in those funds.

Proposal:

As noted above, the cancellation of this funding would result in a savings of \$179,000 to the general fund, as well as smaller savings in several other funds. The largest portion of the savings would come from the MMB enterprise budget systems project, but there are several other projects from which savings would come as well. In addition to the general fund, \$5,000 would cancel to the Health-Related Boards fund and \$14,000 would cancel to the Workers Compensation fund.

Statutory Change(s):

No statutory changes are necessary.

Program: IT for Minnesota Government

Activity: IT Services

mn.gov/mnit/

AT A GLANCE

- Internal service fund consisting of enterprise and shared IT services provided to agencies through rates
- Data center management for 2 enterprise data centers
- Service desk and desktop support for 40,000 customers
- Enterprise communication/collaboration tools for 37,700 users
- MNET (Minnesota's Network for Enterprise Telecommunications)- the State network for education, local governments and agencies with over 1,700 locations in 300+ cities
- Local and long-distance telephone service delivered by more than 85 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

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:

- Mainframe and server infrastructure required to run agency applications, as well as data center management
- Client Computing (worker support): Service Desk, Mobile Device Management, Workstation Management
- Contracted Telecom Services: local and long-distance voice services contracted through third party telephone vendors
- Internet protocol (IP): provide voice over internet phone capabilities through both hard and soft phone solutions to state agencies
- Contact Center Minnesota: call center providing customer solutions
- Wide Area Network Services (WAN): services that enable the use of the state's communications network for voice, data, and video
- Local Area Network (LAN): communications network connecting devices within a building or campus
- M365: email, instant messaging, collaboration tools, video and voice conferencing
- Web hosting services
- Oversight, direction, and guidance for agency-based application development through the Enterprise Project Management Office (ePMO) and the Enterprise Services Project Management Office (ESPMO)

Priorities are 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:

- Improve our Identity and Access Management to better manage authorizations and privileges on the multiple Active Directory domains and network share.

- 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 to improve the security of the State’s data assets.
- Modernize the common mobile device management service to manage state and personally owned mobile devices that are permitted to have access to state resources and data.
- Operate and optimize the centrally managed service desk and work management function for all executive branch agencies.
- Leverage investment in cloud based M365 infrastructure to advance the availability the adoption of collaboration tools across the enterprise.
- Develop a roadmap that addresses the operating model, governance process, and migration patterns for a state-wide cloud strategy.
- Enhance and invest in our ability to support the state’s remote workforce.
- Optimize recurring tasks and increased workloads through Robotic Process Automation (RPA).
- Embed security functionality and monitoring into enterprise infrastructure services such as hosting and storage.
- Improve MN.IT’s capabilities on endpoint detection technology that is integrated with the Security Operations Center (SOC).
- Advance service maturity through process improvement and establishing a culture of continuous improvement and fostering transparency around MN.IT’s performance.

RESULTS

<i>Type of Measure</i>	<i>Name of Measure</i>	<i>Previous</i>	<i>Current</i>	<i>Dates</i>
Quantity	Number of data centers	16	14	FY 2019, FY 2020
Quality	Digital State Survey by the Center for Digital Government, a review of all 50 states’ electronic government capabilities	A-	A-	Oct 2018, Oct 2020
Quality	% of MN.IT services rated as ‘Reasonable’ to ‘Best Value’ vis a vis other states as determined by independent rates analysis study	93%	92%	FY 2018-19 Rates, FY 2020-21 Rates
Results	State network core. On an annual basis, the percent of time the network is available to users.	99.99%	99.99%	FY 2018, FY 2020
Quality	Webhosting Uptime	N/A	99.7%	FY 2020
Quality	Maintain a mean time to resolution of reported problems or incidents of under one day	0.8 days	0.8 days	FY 2020, FY 2021

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

IT Services

Activity Expenditure Overview

(Dollars in Thousands)

	Actual FY18	Actual FY19	Actual FY20	Estimate FY21	Forecast Base		Governor's Recommendation	
					FY22	FY23	FY22	FY23
<u>Expenditures by Fund</u>								
5000 - Master Lease	9,372	11,314	9,421	10,610	6,865	11,525	6,865	11,525
5500 - MN.IT Services	483,105	169,316	197,090	201,137	202,113	207,707	202,113	207,707
Total	492,478	180,631	206,511	211,747	208,978	219,232	208,978	219,232
Biennial Change				(254,850)		9,952		9,952
Biennial % Change				(38)		2		2
Governor's Change from Base								0
Governor's % Change from Base								0

Expenditures by Category

Compensation	273,630	68,336	93,190	95,539	99,426	101,487	99,426	101,487
Operating Expenses	187,598	92,439	92,225	92,686	82,514	84,793	82,514	84,793
Grants, Aids and Subsidies	6							
Capital Outlay-Real Property	12,273	11,944	9,181	10,610	16,003	21,863	16,003	21,863
Other Financial Transaction	18,971	7,911	11,915	12,912	11,035	11,089	11,035	11,089
Total	492,478	180,631	206,511	211,747	208,978	219,232	208,978	219,232

Full-Time Equivalent

	2,228.01	650.79	758.60	778.00	778.00	778.00	778.00	778.00
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IT Services

Activity Financing by Fund

(Dollars in Thousands)

	Actual FY18	Actual FY19	Actual FY20	Estimate FY21	Forecast Base		Governor's Recommendation	
					FY22	FY23	FY22	FY23
5000 - Master Lease								
Receipts	9,372	11,314	9,421	10,610	6,865	11,525	6,865	11,525
Expenditures	9,372	11,314	9,421	10,610	6,865	11,525	6,865	11,525
Biennial Change in Expenditures				(655)		(1,641)		(1,641)
Biennial % Change in Expenditures				(3)		(8)		(8)
Governor's Change from Base								0
Governor's % Change from Base								0

5500 - MN.IT Services

Balance Forward In	20,011	21,098	27,584	36,778	26,835	29,631	26,835	29,631
Receipts	475,646	174,501	214,291	199,660	205,035	205,035	205,035	205,035
Transfers In	14							
Transfers Out	5,286	6,019	8,007	8,466	126	126	126	126
Balance Forward Out	7,279	20,264	36,778	26,835	29,631	26,833	29,631	26,833
Expenditures	483,105	169,316	197,090	201,137	202,113	207,707	202,113	207,707
Biennial Change in Expenditures				(254,195)		11,593		11,593
Biennial % Change in Expenditures				(39)		3		3
Governor's Change from Base								0
Governor's % Change from Base								0
Full-Time Equivalents	2,228.01	650.79	758.60	778.00	778.00	778.00	778.00	778.00

Program: IT for Minnesota Government
Activity: Applications, Projects and Initiatives

mn.gov/mnit/

AT A GLANCE

- Responsible for management and oversight of 2,800 agency applications
- MN.IT's FY 2020 project portfolio included:
 - Approximately 375 actively managed projects at any point in time.
 - Projects associated with biennial IT (BIT) appropriations to agencies.
 - 109 agency-funded Information Technology Account (ITA) project budgets addressing specific agency needs—\$34.8M budgeted in FY 2020.
- Special revenue initiatives set aside for a specific purpose

PURPOSE & CONTEXT

MN.IT is responsible for the development, implementation and management of IT applications that meet the business requirements of executive branch agencies. This activity focuses on development of citizen-facing systems as well as smaller, internal systems development, upgrades, and operational improvements. One 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. Support, direction, and guidance for these activities is provided by the Enterprise Project Management Office (ePMO) and the Enterprise Services Project Management Office (ESPMO) which is funded by enterprise rates (IT Services).

SERVICES PROVIDED

The budget activities conducted under Applications, Projects and Initiatives include all of the activities related to the development, implementation, and support of the IT application and project portfolio of the executive branch. This includes:

- Agency applications and projects
- FY 2022-23 biennial IT (BIT) business application projects for agencies and agency-contributed funds to the Information Technology Account (ITA) also known as Odyssey projects
- Special revenue initiatives set aside for a specific purpose
 - Procurement group that negotiates software license agreements on behalf of the enterprise
 - Special appropriation that addresses enterprise accessibility requirements-Telecommunications Access MN (TAM)
 - Medicaid Management Information System (MMIS) Service Contract (DHS)
 - Enterprise e-licensing surcharge account
 - Homeland Security grant

MN.IT's priorities in this biennium to optimize the value of applications and projects delivery include the following:

- Implement Blue Ribbon Council (BRC)-IT recommendations related to project and portfolio management in partnership with agency leadership:
 - Conduct capability gaps assessment and develop a short-term and a long-term roadmap of practice improvements

- Create education and training to introduce the Modernization Playbook and draft a plan to drive, govern, and measure adoption and acceptance of the playbook
- Improve portfolio health by establishing a plan for real-time access to portfolio dashboard to improve communications with all stakeholders
- Mature project portfolio programs by standardizing methodologies and processes throughout MN.IT, and establishing buy-in and direction with MN.IT's Project Management Office (PMO) community around:
 - Common processes
 - Improved communication on project portfolio
 - Measures of success
 - Common methodologies
 - Common artifacts for managing and reporting on projects and initiatives
 - Standard tools e.g. Online reporting capability.
- Build a roadmap for development of an Enterprise architecture capability
- Develop an application portfolio modernization strategy
- Create a complete application inventory with a technical health component

RESULTS

<i>Type of Measure</i>	<i>Name of Measure</i>	<i>Previous</i>	<i>Current</i>	<i>Dates</i>
Quality	Percent of Projects Reporting Green Status	74%	73%	FY 2020, FY 2021
Quantity	Completed projects	188	179	FY 2019, FY 2020

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

Applications, Projects and Initiatives

Activity Expenditure Overview

(Dollars in Thousands)

	Actual FY18	Actual FY19	Actual FY20	Estimate FY21	Forecast Base FY22 FY23		Governor's Recommendation FY22 FY23	
<u>Expenditures by Fund</u>								
1000 - General	2,109	1,650	34					
2000 - Restrict Misc Special Revenue	2,841	896	1,076	1,521	1,264	750	1,264	750
2001 - Other Misc Special Revenue	13,869	376,182	353,623	376,883	362,076	342,753	362,076	342,753
3010 - Coronavirus Relief			6,856	370				
Total	18,818	378,727	361,589	378,774	363,340	343,503	363,340	343,503
Biennial Change				342,817		(33,520)		(33,520)
Biennial % Change				86		(5)		(5)
Governor's Change from Base								0
Governor's % Change from Base								0

Expenditures by Category

Compensation	3,343	227,750	219,761	216,562	245,574	238,870	245,574	238,870
Operating Expenses	15,170	133,800	133,589	157,691	113,774	100,621	113,774	100,621
Grants, Aids and Subsidies			7					
Capital Outlay-Real Property	143	6,213	677	1,512				
Other Financial Transaction	162	10,964	7,556	3,009	3,992	4,012	3,992	4,012
Total	18,818	378,727	361,589	378,774	363,340	343,503	363,340	343,503

Full-Time Equivalent

	28.34	1,709.73	1,637.20	1,635.90	1,846.30	1,746.11	1,846.30	1,746.11
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Applications, Projects and Initiatives

Activity Financing by Fund

(Dollars in Thousands)

	Actual FY18	Actual FY19	Actual FY20	Estimate FY21	Forecast Base FY22 FY23		Governor's Recommendation FY22 FY23	
1000 - General								
Balance Forward In	3,048	1,623	34					
Transfers In	200	27						
Balance Forward Out	1,139	1						
Expenditures	2,109	1,650	34					
Biennial Change in Expenditures				(3,725)		(34)		(34)
Biennial % Change in Expenditures				(99)				
Governor's Change from Base								0
Governor's % Change from Base								
Full-Time Equivalents	0.29	0.04						

2000 - Restrict Misc Special Revenue

Balance Forward In	6,892	4,816	4,220	3,484	2,303	1,379	2,303	1,379
Transfers In	340	340	340	340	340	340	340	340
Transfers Out		45						
Balance Forward Out	4,391	4,215	3,484	2,303	1,379	969	1,379	969
Expenditures	2,841	896	1,076	1,521	1,264	750	1,264	750
Biennial Change in Expenditures				(1,139)		(583)		(583)
Biennial % Change in Expenditures				(30)		(22)		(22)
Governor's Change from Base								0
Governor's % Change from Base								0
Full-Time Equivalents	2.19	2.35	3.35	3.38	3.02	2.67	3.02	2.67

2001 - Other Misc Special Revenue

Balance Forward In	30,874	20,081	39,202	24,200	7,806	2,352	7,806	2,352
Receipts	2,300	365,474	338,621	360,687	356,622	341,283	356,622	341,283
Transfers In		29,417						
Transfers Out	5	475		198				
Balance Forward Out	19,300	38,316	24,200	7,806	2,352	882	2,352	882
Expenditures	13,869	376,182	353,623	376,883	362,076	342,753	362,076	342,753
Biennial Change in Expenditures				340,455		(25,677)		(25,677)
Biennial % Change in Expenditures				87		(4)		(4)
Governor's Change from Base								0
Governor's % Change from Base								0

Applications, Projects and Initiatives

Activity Financing by Fund

(Dollars in Thousands)

	Actual	Actual	Actual	Estimate	Forecast Base		Governor's Recommendation	
	FY18	FY19	FY20	FY21	FY22	FY23	FY22	FY23
Full-Time Equivalents	25.86	1,707.34	1,633.85	1,632.52	1,843.28	1,743.44	1,843.28	1,743.44

3010 - Coronavirus Relief

Direct Appropriation	6,856	370	0	0	0	0
Expenditures	6,856	370				
Biennial Change in Expenditures		7,226		(7,226)		(7,226)
Biennial % Change in Expenditures				(100)		(100)
Governor's Change from Base						0
Governor's % Change from Base						

Program: IT for Minnesota Government

Activity: Leadership

mn.gov/mnit/

AT A GLANCE

Leadership includes general funded functions that support the enterprise:

- State Chief Information Officer (CIO) office (strategy, direction, planning)
- Enterprise Security Services
- MN Geospatial Information Office

PURPOSE & CONTEXT

IT leadership covers the administrative and oversight functions of an agency with more than 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 key priorities. In addition, IT leadership develops and guides IT optimization priorities and projects. Key partners include the Governor's Office, the legislature, agency business leadership, and MN.IT services management and staff.

SERVICES PROVIDED

The CIO Office, Enterprise Security, and MN Geospatial Office provide the leadership, planning, and support that allow IT services to be delivered to customers in a high-value, cost-effective and safe manner. IT leadership funded by general appropriations for the FY 2022-23 biennium are:

- The State CIO Office provides the overall strategy, direction and planning over executive branch information technology. The strategic and tactical planning undertaken by the State CIO Office is charting a course to further adoption of our Connected Culture across the agency that will enhance IT service delivery to Minnesotans across the state.
- The State CIO Office partners with the Blue Ribbon Council as the collaboration between private sector IT experts and public sector leaders continues to develop recommendations for transforming IT service delivery in Minnesota.
- The Enterprise Security Office (ESO) provides the vision and strategy necessary to secure the state.
 - Implement the security foundation for the executive branch that includes a comprehensive Service Delivery Model, Policy and Standard Framework and an Information Security Strategic Plan.
 - Promote collaboration and partnerships with other levels, units, and branches of government, in order to more effectively address the increasing barrage of advanced and persistent threats.
 - Improve Minnesota's cybersecurity workforce through partnerships with academia, promotion of cybersecurity careers, and innovative programs like Scholarship for Service.
 - MN.IT received a \$5 million per year supplemental appropriation in FY 2020-21 for enhancements to cybersecurity across state government to provide for additional staff, professional technical services and software.
- MnGeo's primary role is to provide geospatial coordination and collaboration and to act as a service bureau to the state agencies on geospatial matters. This involves outreach and communication between state agencies, with local and national government agencies, as well as with non-government organizations and citizens. It also involves data coordination efforts, especially stewardship of important statewide datasets, fostering use of data standards, and identification and prioritization of data gaps. These coordination efforts have led to MnGeo and several partners creating the Minnesota Geospatial

Commons, <https://gisdata.mn.gov>, a collaborative place for users and publishers of geospatial resources about Minnesota.

RESULTS

<i>Type of Measure</i>	<i>Name of Measure</i>	<i>Previous</i>	<i>Current</i>	<i>Dates</i>
Quantity	<p>IT Spend percent of total expenditures by state agencies subject to consolidation.</p> <p>By comparison, Gartner, a marketing research firm, reported IT Spend (as a % of expenditures) of 2.4% for state/local government entities (greater than \$10B in expenditures)</p> <p>Note: IT Spend ratio to expense is a key measure of the amount of IT resources relative to the size of an organization. Therefore, it can be seen as a measure of IT efficiency and relative IT funding.</p>	1.7%	1.7%	FY 2018, FY 2019
Quantity	Number of agencies contributing data to the Geospatial Commons	29	45	FY 2018, FY 2020

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

Leadership

Activity Expenditure Overview

(Dollars in Thousands)

	Actual FY18	Actual FY19	Actual FY20	Estimate FY21	Forecast Base		Governor's Recommendation	
					FY22	FY23	FY22	FY23
<u>Expenditures by Fund</u>								
1000 - General	2,230	2,686	4,416	10,563	7,679	7,679	9,855	9,882
Total	2,230	2,686	4,416	10,563	7,679	7,679	9,855	9,882
Biennial Change				10,062		379		4,758
Biennial % Change				205		3		32
Governor's Change from Base								4,379
Governor's % Change from Base								29

Expenditures by Category

Compensation	1,840	1,752	2,693	3,539	3,872	3,963	3,948	4,566
Operating Expenses	369	722	1,635	7,013	3,741	3,650	5,841	5,250
Capital Outlay-Real Property			62		60	60	60	60
Other Financial Transaction	21	212	25	11	6	6	6	6
Total	2,230	2,686	4,416	10,563	7,679	7,679	9,855	9,882

Full-Time Equivalents

	15.02	13.48	20.48	26.90	26.90	26.90	26.90	29.90
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Leadership

Activity Financing by Fund

(Dollars in Thousands)

	Actual FY18	Actual FY19	Actual FY20	Estimate FY21	Forecast Base		Governor's Recommendation	
					FY22	FY23	FY22	FY23
1000 - General								
Balance Forward In		310		3,263				
Direct Appropriation	2,642	2,670	7,679	7,679	7,679	7,679	9,855	9,882
Transfers In				379				
Transfers Out	140	290		379				
Cancellations		3		379				
Balance Forward Out	272		3,263					
Expenditures	2,230	2,686	4,416	10,563	7,679	7,679	9,855	9,882
Biennial Change in Expenditures				10,062		379		4,758
Biennial % Change in Expenditures				205		3		32
Governor's Change from Base								4,379
Governor's % Change from Base								29
Full-Time Equivalents	15.02	13.48	20.48	26.90	26.90	26.90	26.90	29.90

MN IT Services

G4601 - IT for Minnesota Government

5500 - MN IT Services

Revenues, Expenses and Changes in Net Assets

(Dollars in Thousands)

	Actual FY 2020	Projected FY 2021	Projected FY 2022	Projected FY 2023
Operating Revenues:				
Net Sales	222,032	204,407	206,791	205,580
Rental and Service Fees				
Insurance Premiums				
Other Income				
Total Operating Revenues	222,032	204,407	206,791	205,580
Gross Margin	222,032	204,407	206,791	205,580
Operating Expenses:				
Purchased Services	79,977	79,383	71,679	73,372
Salaries and Fringe Benefits	96,071	97,333	99,426	101,487
Claims				
Depreciation	12,683	11,699	10,816	9,738
Amortization	14,712	15,775	13,251	14,451
Supplies and Materials	6,330	8,800	7,331	7,784
Indirect Costs	1,095	1,360	1,235	1,235
Other Expenses	24			
Total Operating Expenses	210,892	214,350	203,738	208,067
Operating Income (Loss)	11,140	(9,943)	3,053	(2,487)
Nonoperating Revenues (Expenses):				
Investment Income	318	280	280	280
Interest and Financing Costs	(661)	(280)	(411)	(465)
Other Nonoperating Expenses				
Gain (Loss) on Disposal of Capital Assets				
Total Nonoperating Revenues (Expenses)	(343)	0	(131)	(185)
Income (Loss) Before Transfers and Contributions	10,797	(9,943)	2,922	(2,672)
Capital Contributions				
Transfers in				
Transfers out			(126)	(126)
Change in Net Assets	10,797	(9,943)	2,796	(2,798)
Net Assets, Beginning as Reported	30,955	41,752	31,809	34,605
Net Assets, Ending	41,752	31,809	34,605	31,806
Rate increase/(decrease)				
Full Time Equivalents (FTE)	758.6	778.0	778.0	778.0

MN IT Services

G4601 - IT for Minnesota Government

5500 - MN IT Services

Net Assets

(Dollars in Thousands)

	Actual FY 2020	Projected FY 2021
ASSETS		
Current Assets:		
Cash and Cash Equivalents	55,004	47,153
Investments	0	0
Accounts Receivable	44,539	44,539
Accrued Investment/Interest Income	0	0
Inventories	0	0
Deferred Costs	14,592	12,857
Total Current Assets	114,135	104,550
Noncurrent Assets:		
Prepaid Expenses	3,140	2,182
Depreciable Capital Assets (Net)	25,768	24,620
Total Noncurrent Assets	28,908	26,803
Total Assets	143,044	131,352
LIABILITIES		
Current Liabilities:		
Accounts Payable	12,191	12,191
Interfund Payables	50,000	50,000
Unearned Revenue	8,481	3,067
Loans Payable	7,857	9,256
Compensated Absences Payable	1,187	1,187
Total Current Liabilities	79,717	75,701
Noncurrent Liabilities:		
Loans Payable	12,019	14,287
Compensated Absences Payable	9,555	9,555
Other Liabilities		
Total Noncurrent Liabilities	21,574	23,842
Total Liabilities	101,291	99,543
NET ASSETS		
Invested in Capital Assets, Net of Related Debt	5,892	1,078
Unrestricted	35,861	30,731
Total Net Assets	41,752	31,809

MN IT Services
G4601 - IT for Minnesota Government
5500 - MN IT Services
Brief Narrative

Background:

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

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

As per Legislation of 2019 (Special Session), Chapter 10, Article 1, Section 10 (b) authorizes MMB to provide cash flow authority up to \$50 million to MNIT Services. MNIT has borrowed \$50 million and this loan will be repaid with interest by the end of FY21 hard close.

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

The FY22-23 budget includes Master Lease expenditures for procurement of local area network (LAN) hardware, server hardware, storage equipment, security equipment, and related expenditures associated with equipment purchases.

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

Net Asset change from FY18 to FY20 is primarily due to a combination of lower than budgeted expenses and higher than budgeted revenue. We are seeing these deviations from budgeted expenses and revenue due to IT consolidation activities. Despite enormous benefits, transitioning a large group of agencies to centralized financial management and consolidated service offerings has been a complex undertaking. This is especially true with forecasting and budgeting for the immediate periods following consolidation activities. In FY20 the third wave of executive branch consolidation was completed and at the same time the COVID 19 pandemic significantly increased several mainframe and telecommunications volumes. Furthermore, there is a fundamental shift in technology infrastructure away from traditional data centers and related onsite hosting to cloud, virtual, and externally hosted applications and services. It is difficult to predict the timing of these changes and therefore how volumes and expenses will be impacted in the short term. Consequently, while MNIT finance is focused on financial optimization and more predictive modeling over the next biennium, we have to also expect above normal levels of variances owing to the challenges of consolidation, COVID 19, and the rapidly changing technology environment. Eventually our goal is to see these variations subside in the future years.

Explain any reasons for rate changes:

For the FY22-23 rate package, MNIT continued to establish rates based upon forecasted volume and expense. Volumes are based upon agency demand estimates and expenses take into account contractual salary and vendor cost increases. There were notable changes in FY22-23 agency forecasted service volumes reflecting the trend away from onsite dedicated hosting services to cloud and virtualized hosting services. This trend has resulted in lower forecasted volumes in a number of traditional hosting services as well as lower utilization of data center capacity. FY22-23 total budgeted costs increased 2% from the FY20-21 budget. Salary/fringe costs increased as a result of recently approved salary and step increases in FY20 as well as expected insurance increases. Non-salary costs were primarily impacted by software increases, notably from Microsoft, IBM, and Oracle. Overall, most key rates experienced moderate increases and decreases but, there were a handful of rates that had more significant increases and decreases owing to volume forecasting and over-capacity issues that MNIT is actively addressing. Product line margins are monitored within the biennium on a quarterly basis to assess potential over or under recovery that may require a rate adjustment or rebate/bill, separate from biennial rate setting. As a result of the quarterly review process, a number of enterprise service rates were adjusted in FY21 resulting in \$9.5 million savings to agencies. Further, this trend is continuing and most likely will result in further savings to agencies in FY22-23, and possibly additional savings yet in FY21. The current trend in over recoveries are the result of significant volume increases brought about by the COVID pandemic as well as from more normal budget to actual variances on volumes and/or expenses.

Impact of rate changes on affected agencies:

Product line margins are monitored within the biennium on a quarterly basis to assess potential over or under recovery that may require a rate adjustment or rebate/bill, separate from biennial rate setting. As a result of the quarterly review process, a number of enterprise service rates were adjusted in FY21 resulting in \$9.5 million savings to agencies. Further, this trend is continuing and most likely will result in further savings to agencies in FY22-23, and possibly additional savings yet in FY21. The current trend in over recoveries are the result of significant volume increases brought about by the COVID pandemic as well as from more normal budget to actual variances on volumes and/or expenses.