

Table of Contents

Minnesota IT Services (MNIT)

| | |
|---|----|
| <i>Agency Profile</i> | 1 |
| Agency Expenditure Overview | 3 |
| Agency Financing by Fund | 4 |
| Agency Change Summary | 6 |
| <u>Change Item(s)</u> | 8 |
| <i>Operating Adjustment</i> | 8 |
| <u>Program</u> | 10 |
| IT for Minnesota Government | 10 |
| <u>Activity</u> | 10 |
| IT Services | 10 |
| <i>Activity Narrative</i> | 10 |
| Activity Expenditure Overview | 12 |
| Activity Financing by Fund | 13 |
| Applications, Projects and Initiatives | 14 |
| <i>Activity Narrative</i> | 14 |
| Activity Expenditure Overview | 16 |
| Activity Financing by Fund | 17 |
| Leadership | 18 |
| <i>Activity Narrative</i> | 18 |
| Activity Expenditure Overview | 21 |
| Activity Financing by Fund | 22 |
| <u>Additional Documents</u> | 23 |
| <i>Internal Service Funds Statements</i> | 23 |

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

AT A GLANCE

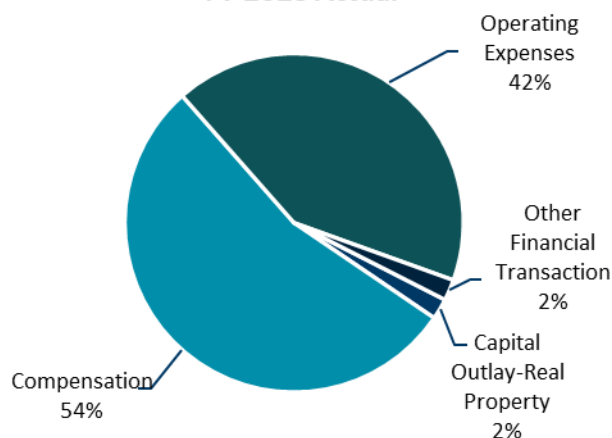
- Provides all information technology (IT) services to 70 executive branch entities along with offers a subset of services to cities, counties, and other non-executive branch entities
- Responsible for 2,608 IT employees
- Hosts and supports 2,706 agency applications
- Tracks on average 560 active IT projects
- Resolved 2,092 security incidents in calendar year 2023
- Supports 20,000 network devices

PURPOSE

We partner with Minnesota state agencies to deliver secure, reliable technology solutions that transform how to improve the lives of all Minnesotans.

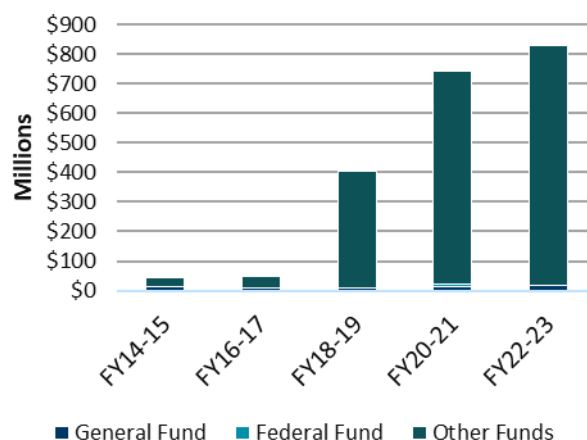
BUDGET

**Spending by Category
FY 2023 Actual**



Source: Budget Planning & Analysis System (BPAS)

Historical Spending



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 Department of Information Technology Services, or Minnesota IT Services (MNIT), is primarily funded through chargeback to agencies for IT services through the enterprise technology fund, direct pass-through bill to agencies for IT applications or for projects through the special revenue fund, and IT governance through the general fund. In FY 2019, direct agency pass-through expenses were reclassified 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, technology transformation, IT project portfolio oversight, Minnesota Geospatial Information Office (MnGeo), and some projects. Total IT spend from all funds was \$714 million in FY 2023.

Since the Legislature enacted IT consolidation in FY 2011, MNIT consolidated finances, purchasing, data centers, and commodity IT services to create efficiency along with economies of scale 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

MNIT launched its 2023-2027 MNIT Strategic Plan (<https://mn.gov/mnit/about-mnit/strategic-plan/>) in the fall of 2023. Based on Governor Walz's One Minnesota Plan, the plan combines agency priorities with a focus on improving MNIT's ability to serve the people of Minnesota.

Under the plan, we will deliver services in support of our three strategic themes:

- Center on the customer experience.
- Underpin operational excellence with cybersecurity.
- Advance a connected culture in all our interactions.

Regarded as a means rather than an end, technology serves to enable positive transformations. Our dedication lies in enhancing both our methods as well as technology, with a strong focus on prioritizing privacy and data security. This commitment enables us to promptly adjust to the evolving needs of our state.

In the year ahead, our strategic plan will drive MNIT to:

- Develop modern digital experiences by using people-centered and data-driven approaches.
- Expand our robust platform of services and create customer feedback loops.
- Value diversity, equity, and inclusion in all our strategic decisions.
- Drive fiscal accountability and measurable results in all our investments in processes and technologies.
- Support the need to protect Minnesota's fragile environment through procurement decisions and technology investments.
- Invest in, motivate, and empower our employees to expand along with enhance their personal as well as professional skills, realizing their full potential within our agency's framework.

Continued developments in technology pose an ongoing challenge for governments at every level. Yet, by allocating the right resources and engaging in strategic planning, MNIT's accomplishments exemplify what's possible when state governance adopts a considerate, people-focused strategy.

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

Minnesota IT Services (MNIT)

Agency Expenditure Overview

(Dollars in Thousands)

| | Actual FY22 | Actual FY23 | Actual FY24 | Estimate FY25 | Forecast Base | | Governor's Recommendation | |
|--------------------------------------|----------------|----------------|----------------|------------------|----------------|----------------|------------------------------|----------------|
| | | | | | FY26 | FY27 | FY26 | FY27 |
| <u>Expenditures by Fund</u> | | | | | | | | |
| 1000 - General | 7,924 | 11,153 | 34,689 | 111,312 | 10,753 | 10,772 | 10,939 | 11,150 |
| 2000 - Restrict Misc Special Revenue | 2,888 | 1,051 | 1,271 | 1,440 | 794 | 795 | 794 | 795 |
| 2001 - Other Misc Special Revenue | 383,493 | 421,184 | 484,894 | 543,266 | 513,295 | 511,430 | 513,295 | 511,430 |
| 5000 - Master Lease | 8,535 | 9,522 | 19,067 | 18,800 | 15,000 | 12,800 | 15,000 | 12,800 |
| 5500 - MN IT Services | 197,546 | 215,752 | 225,143 | 249,360 | 262,366 | 262,366 | 262,366 | 262,366 |
| Total | 600,386 | 658,661 | 765,064 | 924,178 | 802,208 | 798,163 | 802,394 | 798,541 |
| Biennial Change | | | | 430,195 | | (88,871) | | (88,307) |
| Biennial % Change | | | | 34 | | (5) | | (5) |
| Governor's Change from Base | | | | | | | | 564 |
| Governor's % Change from Base | | | | | | | | 0 |

Expenditures by Program

| | | | | | | | | |
|-----------------------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|
| IT for Minnesota Government | 600,386 | 658,661 | 765,064 | 924,178 | 802,208 | 798,163 | 802,394 | 798,541 |
| Total | 600,386 | 658,661 | 765,064 | 924,178 | 802,208 | 798,163 | 802,394 | 798,541 |

Expenditures by Category

| | | | | | | | | |
|------------------------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|
| Compensation | 338,012 | 355,453 | 396,596 | 477,825 | 477,455 | 476,633 | 477,633 | 476,994 |
| Operating Expenses | 236,758 | 275,651 | 328,053 | 415,539 | 300,707 | 299,684 | 300,715 | 299,701 |
| Grants, Aids and Subsidies | | | 9,119 | 6 | | | | |
| Capital Outlay-Real Property | 12,326 | 16,757 | 21,695 | 19,454 | 15,190 | 12,990 | 15,190 | 12,990 |
| Other Financial Transaction | 13,290 | 10,799 | 9,601 | 11,354 | 8,856 | 8,856 | 8,856 | 8,856 |
| Total | 600,386 | 658,661 | 765,064 | 924,178 | 802,208 | 798,163 | 802,394 | 798,541 |

Full-Time Equivalents

| | | | | | | | |
|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| 2,434.08 | 2,573.35 | 2,615.98 | 3,042.59 | 2,966.99 | 2,963.69 | 2,966.99 | 2,963.69 |
|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|

Minnesota IT Services (MNIT)

Agency Financing by Fund

(Dollars in Thousands)

| | Actual | Actual | Actual | Estimate | Forecast Base | | Governor's Recommendation | |
|-----------------------------------|--------|--------|--------|----------|---------------|-----------|---------------------------|-----------|
| | FY22 | FY23 | FY24 | FY25 | FY26 | FY27 | FY26 | FY27 |
| 1000 - General | | | | | | | | |
| Balance Forward In | | 2,046 | 0 | 55,286 | | | | |
| Direct Appropriation | 9,855 | 9,882 | 89,997 | 56,026 | 10,753 | 10,772 | 10,939 | 11,150 |
| Transfers In | | 1 | 10,345 | 567 | | | | |
| Transfers Out | | 776 | 10,368 | 567 | | | | |
| Cancellations | | 1 | | | | | | |
| Balance Forward Out | 1,931 | | 55,285 | | | | | |
| Expenditures | 7,924 | 11,153 | 34,689 | 111,312 | 10,753 | 10,772 | 10,939 | 11,150 |
| Biennial Change in Expenditures | | | | 126,925 | | (124,476) | | (123,912) |
| Biennial % Change in Expenditures | | | | 665 | | (85) | | (85) |
| Governor's Change from Base | | | | | | | | 564 |
| Governor's % Change from Base | | | | | | | | 3 |
| Full-Time Equivalents | 27.53 | 36.76 | 42.43 | 56.11 | 35.49 | 35.49 | 35.49 | 35.49 |

2000 - Restrict Misc Special Revenue

| | | | | | | | | |
|-----------------------------------|--------------|--------------|--------------|--------------|------------|------------|------------|------------|
| Balance Forward In | 3,041 | 2,096 | 1,746 | 1,079 | 279 | 128 | 279 | 128 |
| Receipts | 1,541 | 327 | 264 | 300 | 303 | 327 | 303 | 327 |
| Transfers In | 340 | 340 | 340 | 340 | 340 | 340 | 340 | 340 |
| Balance Forward Out | 2,034 | 1,712 | 1,079 | 279 | 128 | | 128 | |
| Expenditures | 2,888 | 1,051 | 1,271 | 1,440 | 794 | 795 | 794 | 795 |
| Biennial Change in Expenditures | | | | (1,228) | | (1,122) | | (1,122) |
| Biennial % Change in Expenditures | | | | (31) | | (41) | | (41) |
| Governor's Change from Base | | | | | | | | 0 |
| Governor's % Change from Base | | | | | | | | 0 |
| Full-Time Equivalents | 2.58 | 2.49 | 2.58 | 3.20 | 3.00 | 3.00 | 3.00 | 3.00 |

2001 - Other Misc Special Revenue

| | | | | | | | | |
|---------------------------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|
| Balance Forward In | 59,071 | 46,565 | 74,567 | 51,531 | 14,560 | 6,555 | 14,560 | 6,555 |
| Receipts | 368,621 | 400,202 | 461,855 | 506,295 | 505,290 | 506,465 | 505,290 | 506,465 |
| Transfers In | 150 | 49,447 | 218 | | | | | |
| Transfers Out | 60 | 1,934 | 219 | | | | | |
| Balance Forward Out | 44,289 | 73,095 | 51,527 | 14,560 | 6,555 | 1,590 | 6,555 | 1,590 |
| Expenditures | 383,493 | 421,184 | 484,894 | 543,266 | 513,295 | 511,430 | 513,295 | 511,430 |
| Biennial Change in Expenditures | | | | 223,483 | | (3,435) | | (3,435) |

Minnesota IT Services (MNIT)

Agency Financing by Fund

(Dollars in Thousands)

| | Actual FY22 | Actual FY23 | Actual FY24 | Estimate FY25 | Forecast Base | | Governor's Recommendation | |
|-----------------------------------|----------------|----------------|----------------|------------------|---------------|----------|------------------------------|----------|
| | | | | | FY26 | FY27 | FY26 | FY27 |
| Biennial % Change in Expenditures | | | | 28 | | (0) | | (0) |
| Governor's Change from Base | | | | | | | | 0 |
| Governor's % Change from Base | | | | | | | | 0 |
| Full-Time Equivalents | 1,645.89 | 1,734.85 | 1,755.45 | 2,130.28 | 2,061.50 | 2,058.20 | 2,061.50 | 2,058.20 |

5000 - Master Lease

| | | | | | | | | |
|-----------------------------------|--------------|--------------|---------------|---------------|---------------|---------------|---------------|---------------|
| Balance Forward In | | | | 7 | | | | |
| Receipts | 8,535 | 9,522 | 19,075 | 18,793 | 15,000 | 12,800 | 15,000 | 12,800 |
| Balance Forward Out | | | 7 | | | | | |
| Expenditures | 8,535 | 9,522 | 19,067 | 18,800 | 15,000 | 12,800 | 15,000 | 12,800 |
| Biennial Change in Expenditures | | | | 19,811 | | (10,067) | | (10,067) |
| Biennial % Change in Expenditures | | | | 110 | | (27) | | (27) |
| Governor's Change from Base | | | | | | | | 0 |
| Governor's % Change from Base | | | | | | | | 0 |

5500 - MN IT Services

| | | | | | | | | |
|-----------------------------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|
| Balance Forward In | 38,896 | 34,351 | 30,498 | 36,871 | 30,000 | 30,000 | 30,000 | 30,000 |
| Receipts | 198,356 | 214,065 | 242,258 | 253,634 | 278,266 | 278,266 | 278,266 | 278,266 |
| Transfers In | 0 | | | | | | | |
| Transfers Out | 9,398 | 9,791 | 10,742 | 11,145 | 15,900 | 15,900 | 15,900 | 15,900 |
| Balance Forward Out | 30,308 | 22,873 | 36,871 | 30,000 | 30,000 | 30,000 | 30,000 | 30,000 |
| Expenditures | 197,546 | 215,752 | 225,143 | 249,360 | 262,366 | 262,366 | 262,366 | 262,366 |
| Biennial Change in Expenditures | | | | 61,205 | | 50,229 | | 50,229 |
| Biennial % Change in Expenditures | | | | 15 | | 11 | | 11 |
| Governor's Change from Base | | | | | | | | 0 |
| Governor's % Change from Base | | | | | | | | 0 |
| Full-Time Equivalents | 758.08 | 799.25 | 815.52 | 853.00 | 867.00 | 867.00 | 867.00 | 867.00 |

(Dollars in Thousands)

| | FY25 | FY26 | FY27 | Biennium 2026-27 |
|---|----------------|----------------|----------------|---------------------|
| Direct | | | | |
| Fund: 1000 - General | | | | |
| FY2025 Appropriations | 56,140 | 56,140 | 56,140 | 112,280 |
| Base Adjustments | | | | |
| All Other One-Time Appropriations | | (45,306) | (45,306) | (90,612) |
| Current Law Base Change | | 19 | 38 | 57 |
| Approved Transfer Between Appropriation | | | | |
| Allocated Reduction | (114) | (114) | (114) | (228) |
| Minnesota Paid Leave Allocation | | 14 | 14 | 28 |
| Forecast Base | 56,026 | 10,753 | 10,772 | 21,525 |
| Change Items | | | | |
| Operating Adjustment | | 186 | 378 | 564 |
| Total Governor's Recommendations | 56,026 | 10,939 | 11,150 | 22,089 |
| Dedicated | | | | |
| Fund: 2000 - Restrict Misc Special Revenue | | | | |
| Planned Spending | 1,440 | 794 | 795 | 1,589 |
| Forecast Base | 1,440 | 794 | 795 | 1,589 |
| Total Governor's Recommendations | 1,440 | 794 | 795 | 1,589 |
| Fund: 2001 - Other Misc Special Revenue | | | | |
| Planned Spending | 543,266 | 513,295 | 511,430 | 1,024,725 |
| Forecast Base | 543,266 | 513,295 | 511,430 | 1,024,725 |
| Total Governor's Recommendations | 543,266 | 513,295 | 511,430 | 1,024,725 |
| Fund: 5000 - Master Lease | | | | |
| Planned Spending | 18,800 | 15,000 | 12,800 | 27,800 |
| Forecast Base | 18,800 | 15,000 | 12,800 | 27,800 |
| Total Governor's Recommendations | 18,800 | 15,000 | 12,800 | 27,800 |
| Fund: 5500 - MN IT Services | | | | |
| Planned Spending | 249,360 | 262,366 | 262,366 | 524,732 |
| Forecast Base | 249,360 | 262,366 | 262,366 | 524,732 |
| Total Governor's Recommendations | 249,360 | 262,366 | 262,366 | 524,732 |
| Revenue Change Summary | | | | |
| Dedicated | | | | |
| Fund: 2000 - Restrict Misc Special Revenue | | | | |

Minnesota IT Services (MNIT)

Agency Change Summary

(Dollars in Thousands)

| | FY25 | FY26 | FY27 | Biennium 2026-27 |
|--|---------|---------|---------|---------------------|
| Forecast Revenues | 300 | 303 | 327 | 630 |
| Total Governor's Recommendations | 300 | 303 | 327 | 630 |
| Fund: 2001 - Other Misc Special Revenue | | | | |
| Forecast Revenues | 506,295 | 505,290 | 506,465 | 1,011,755 |
| Total Governor's Recommendations | 506,295 | 505,290 | 506,465 | 1,011,755 |
| Fund: 5000 - Master Lease | | | | |
| Forecast Revenues | 18,793 | 15,000 | 12,800 | 27,800 |
| Total Governor's Recommendations | 18,793 | 15,000 | 12,800 | 27,800 |
| Fund: 5500 - MN IT Services | | | | |
| Forecast Revenues | 253,634 | 278,266 | 278,266 | 556,532 |
| Total Governor's Recommendations | 253,634 | 278,266 | 278,266 | 556,532 |

Minnesota IT Services

FY 2026-27 Biennial Budget Change Item

Change Item Title: Operating Adjustment

| Fiscal Impact (\$000s) | FY 2025 | FY 2026 | FY 2027 | FY 2028 | FY 2029 |
|--|----------|----------|----------|----------|----------|
| General Fund | | | | | |
| Expenditures | 0 | 186 | 378 | 378 | 378 |
| 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) | 0 | 186 | 378 | 378 | 378 |
| FTEs | 0 | 0 | 0 | 0 | 0 |

Recommendation:

The Governor recommends additional funding of \$186,000 FY 2026 and \$378,000 in each subsequent year from the general fund to help address operating cost increases at Minnesota IT Services.

Rationale/Background:

The cost of operations rises each year due to increases in employer-paid health care contributions, FICA and Medicare, along with other salary and compensation-related costs. This cost growth puts pressure on agency operating budgets that remain flat year to year.

Agencies face challenging decisions to manage these rising costs within existing budgets, while maintaining the services Minnesotans expect. From year to year, agencies find ways to become more efficient with existing resources. For the Minnesota IT Services, one of the primary areas of cost control for the general fund is facilities costs and MNIT has intentionally focused on optimizing its physical footprint while ensuring staff are equipped to meet the demands of MNIT's agency partners.

Without additional resources to address these cost pressures, both in funding and in flexibility to manage internal budgets, services delivered to Minnesotans will be impacted.

Proposal:

The Governor recommends increasing agency operating budgets to support current services. For Minnesota IT Services, this funding will help cover expected growth in employee compensation and insurance.

Additionally, the Governor recommends providing Minnesota IT Services with additional management tools to address upcoming operating pressures. This includes the ability to retain up to 10 percent of competitively awarded grants if administrative funding is not already appropriated.

These new authorities will provide agencies with additional flexibility to manage through cost pressures within agency divisions and prioritize needs to help minimize impacts on services to Minnesotans.

Dollars in Thousands

| Net Impact by Fund | FY 26 | FY 27 | FY 26-27 | FY 28 | FY 29 | FY 28-29 |
|------------------------|------------|------------|------------|------------|------------|------------|
| General Fund | 186 | 378 | 564 | 378 | 378 | 756 |
| Total All Funds | 186 | 378 | 564 | 378 | 378 | 756 |

| Fund | Component Description | FY 26 | FY 27 | FY 26-27 | FY 28 | FY 29 | FY 28-29 |
|------|-----------------------|-------|-------|----------|-------|-------|----------|
| GF | Operating Costs | 186 | 378 | 564 | 378 | 378 | 756 |

Results:

This recommendation is intended to help Minnesota IT Services address rising cost pressures and mitigate impacts to current levels of service and information to the public.

Program: IT for Minnesota Government

Activity: IT Services

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

AT A GLANCE

- Enterprise and shared information technology (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 38,500 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 AND CONTEXT

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

SERVICES PROVIDED

IT Services includes all the computing, telecommunications, network, and security services that underlie along with support the program applications upon which state agencies rely:

- Infrastructure as a Service (IaaS): mainframe, server, storage, and cloud infrastructure required to run agency applications, including data center management.
- Client Computing (worker support): service desk, mobile device management, and 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 that provides 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: Microsoft Teams, Power Platform, email, instant messaging, collaboration tools, video, and voice conferencing.
- Web hosting services
- Enterprise Web Content Management Services: Enabling 580 web masters and content producers at agencies to stand up websites as well as publish web content for constituents.
- Security: Web Application Firewall (WAF) security, Minnesota Enterprise Identity and Access Management (MNEIAM), and vulnerability management including eDiscovery.
- Oversight, direction, and guidance for agency-based application development through the Enterprise Project Management Office (ePMO) and the Enterprise Services Project Management Office (ESPMO).
- Minnesota Geospatial Information Office (MnGeo): Geospatial services to agencies

- Project Management services
- Artificial Intelligence (AI) oversight: Standards and vision that guide state agency employees on the responsible use of AI services.

RESULTS

| Measure Name | Measure Type | Measure Data Source | Historical Trend | Most Recent Trend |
|---|-----------------|--|------------------------------------|---------------------------------------|
| <i>Number of data centers (DCs)</i> | <i>Quantity</i> | <i>MNIT Infrastructure staff</i> | <i>Reduced from 4 DCs to 2</i> | <i>4 DCs-FY2022 2 DCs-FY 2024</i> |
| <i>Digital State Survey by the Center for Digital Government, a review of all 50 states' digital government capabilities</i> | <i>Quality</i> | <i>Center for Digital Government</i> | <i>Improved from Grade A- to A</i> | <i>A Grade-Sept 2022</i> |
| <i>% of MNIT services rated as 'Similar Value', Better Value' or 'Highest Value' vis a vis other states as determined by independent rates analysis study</i> | <i>Quality</i> | <i>Maximus (IT Consulting Company)</i> | <i>Stable between 85%-90%</i> | <i>FY 2024-25 Rates-85%</i> |
| <i>State network core. On an annual basis, the percent of time the network is available to users.</i> | <i>Results</i> | <i>Network Services staff</i> | <i>Stable over time-99.99%</i> | <i>FY 2023-99.9%</i> |
| <i>Webhosting uptime</i> | <i>Quality</i> | <i>Web Support staff</i> | <i>Stable over time-99.99%</i> | <i>FY2023-99.9%</i> |
| <i>Minnesota Service Hub Survey</i> | <i>Quality</i> | <i>Customer Survey</i> | <i>Improved from 4.39 to 4.52</i> | <i>4.52-Jan 2024</i> |

MNIT 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 | Actual | Actual | Estimate | Forecast Base | | Governor's Recommendation | |
|------------------------------------|----------------|----------------|----------------|----------------|----------------|----------------|---------------------------|----------------|
| | FY22 | FY23 | FY24 | FY25 | FY26 | FY27 | FY26 | FY27 |
| <u>Expenditures by Fund</u> | | | | | | | | |
| 5000 - Master Lease | 8,535 | 9,522 | 19,067 | 18,800 | 15,000 | 12,800 | 15,000 | 12,800 |
| 5500 - MN IT Services | 197,546 | 215,752 | 225,143 | 249,360 | 262,366 | 262,366 | 262,366 | 262,366 |
| Total | 206,081 | 225,273 | 244,210 | 268,160 | 277,366 | 275,166 | 277,366 | 275,166 |
| Biennial Change | | | | 81,016 | | 40,162 | | 40,162 |
| Biennial % Change | | | | 19 | | 8 | | 8 |
| Governor's Change from Base | | | | | | | | 0 |
| Governor's % Change from Base | | | | | | | | 0 |

Expenditures by Category

| | | | | | | | | |
|------------------------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|
| Compensation | 98,842 | 104,484 | 118,607 | 129,203 | 137,009 | 137,009 | 137,009 | 137,009 |
| Operating Expenses | 88,643 | 100,862 | 101,630 | 114,654 | 120,936 | 120,936 | 120,936 | 120,936 |
| Capital Outlay-Real Property | 8,652 | 15,395 | 19,343 | 18,800 | 15,000 | 12,800 | 15,000 | 12,800 |
| Other Financial Transaction | 9,944 | 4,533 | 4,631 | 5,503 | 4,421 | 4,421 | 4,421 | 4,421 |
| Total | 206,081 | 225,273 | 244,210 | 268,160 | 277,366 | 275,166 | 277,366 | 275,166 |

Full-Time Equivalents

| | | | | | | | |
|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
| 758.08 | 799.25 | 815.52 | 853.00 | 867.00 | 867.00 | 867.00 | 867.00 |
|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|

IT Services

Activity Financing by Fund

(Dollars in Thousands)

| | Actual FY22 | Actual FY23 | Actual FY24 | Estimate FY25 | Forecast Base | | Governor's Recommendation | |
|-----------------------------------|----------------|----------------|----------------|------------------|---------------|---------------|------------------------------|---------------|
| | | | | | FY26 | FY27 | FY26 | FY27 |
| 5000 - Master Lease | | | | | | | | |
| Balance Forward In | | | | 7 | | | | |
| Receipts | 8,535 | 9,522 | 19,075 | 18,793 | 15,000 | 12,800 | 15,000 | 12,800 |
| Balance Forward Out | | | 7 | | | | | |
| Expenditures | 8,535 | 9,522 | 19,067 | 18,800 | 15,000 | 12,800 | 15,000 | 12,800 |
| Biennial Change in Expenditures | | | | 19,811 | | (10,067) | | (10,067) |
| Biennial % Change in Expenditures | | | | 110 | | (27) | | (27) |
| Governor's Change from Base | | | | | | | | 0 |
| Governor's % Change from Base | | | | | | | | 0 |

5500 - MN IT Services

| | | | | | | | | |
|-----------------------------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|
| Balance Forward In | 38,896 | 34,351 | 30,498 | 36,871 | 30,000 | 30,000 | 30,000 | 30,000 |
| Receipts | 198,356 | 214,065 | 242,258 | 253,634 | 278,266 | 278,266 | 278,266 | 278,266 |
| Transfers In | 0 | | | | | | | |
| Transfers Out | 9,398 | 9,791 | 10,742 | 11,145 | 15,900 | 15,900 | 15,900 | 15,900 |
| Balance Forward Out | 30,308 | 22,873 | 36,871 | 30,000 | 30,000 | 30,000 | 30,000 | 30,000 |
| Expenditures | 197,546 | 215,752 | 225,143 | 249,360 | 262,366 | 262,366 | 262,366 | 262,366 |
| Biennial Change in Expenditures | | | | 61,205 | | 50,229 | | 50,229 |
| Biennial % Change in Expenditures | | | | 15 | | 11 | | 11 |
| Governor's Change from Base | | | | | | | | 0 |
| Governor's % Change from Base | | | | | | | | 0 |
| Full-Time Equivalents | 758.08 | 799.25 | 815.52 | 853.00 | 867.00 | 867.00 | 867.00 | 867.00 |

Program: IT for Minnesota Government**Activity: Applications, Projects, and Initiatives**<https://mn.gov/mnit/>**AT A GLANCE**

- Responsible for management and oversight of 2,706 agency applications
- MNIT's FY 2024 project portfolio included:
 - About 315 actively managed projects at any point in time
 - 161 agency-funded Information and Telecommunications Account (ITA) project budgets addressing specific agency needs—\$60M budgeted in FY 2024
- Special revenue initiatives set aside for a specific purpose

PURPOSE AND CONTEXT

Minnesota IT Services (MNIT) is responsible for the development, implementation, and management of Executive Branch agency IT applications along with digital services. These activities focus on the development of Minnesota resident-facing systems, as well as smaller, internal systems development, upgrades, and operational improvements. To accomplish this work, MNIT, within the Office of Transformation and Strategy Delivery offers project governance, policy, and support. They do this through the departments of Strategic Portfolio Governance and Intelligence (SPGI); the Enterprise Engagement Project Management Office (EPPMO), a staff augmentation organization that provides project managers and business analysts to agencies on a temporary basis; and the Enterprise Technology Delivery Project Management Office (ETDPMO) which leads project activities for IT security and IT infrastructure efforts. The Office of Transformation and Strategy Delivery is also responsible for:

- Implementing select Technology Advisory Council recommendations, including proposals about customer experience and project to product management.
- Co-owning Governor Walz's One Minnesota priority to implement customer experience approaches across all executive branch agencies.

SERVICES PROVIDED

The Office of Transformation and Strategy Delivery initiatives include all activities related to the delivery of business outcomes. This includes working with agencies on idea prioritization, business solutions architecture, customer experience, and human-centered design, in addition to managing an IT project portfolio of development, implementation, and supporting executive branch IT applications.

In 2024, MNIT's Office of Transformation and Strategy Delivery tracked 200 completed projects across Minnesota's executive branch agencies, boards, commissions, and councils. These projects range from public-facing applications to internal-facing IT infrastructure endeavors. The Office of Transformation and Strategy Delivery also maintained executive-level portfolio reporting dashboards. All IT projects in Minnesota are tracked in a single reporting tool, and the data from that tool have been standardized to create dashboards. This dashboard includes a Key Initiatives section that aligns IT strategy, scope, schedule, budget, risks, and mitigation plans.

Examples of key project, products, and initiatives include:

- Agency-based digital service applications and 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).
 - Enterprise e-licensing surcharge account.
 - **Homeland Security grant.** The Whole of State program combined the Homeland Security Grant (SSMI) and the SLCGP Grant into one program to ensure all state entities are covered. The SSMI Grant only covers county governments, port cities, and tribal nations. The SLCGP grant addresses cybersecurity needs for townships, K12, and cities. The Whole of State program reduces the risk to the citizens of Minnesota by allowing communication of security threats to all the state.
 - **The Whole of State Cybersecurity Project (SLCGP).** The SLCGP is a grant funded program which uses the Minnesota Cybersecurity Strategic Plan to define deliverables using long-term measurable strategic goals and program objectives to achieve key results.

RESULTS

| Measure name | Measure type | Measure data source | Historical trend | Most recent data |
|---|-----------------|---------------------|----------------------------------|--------------------|
| <i>Percent of Projects Reporting Green Status</i> | <i>Quality</i> | <i>ePMO staff</i> | <i>Increased from 72% to 76%</i> | <i>76%-FY 2024</i> |
| <i>Completed projects or closed</i> | <i>Quantity</i> | <i>ePMO staff</i> | <i>Increased from 200 to 247</i> | <i>247-FY 2024</i> |

MNIT 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 | Actual | Actual | Estimate | Forecast Base | | Governor's Recommendation | |
|--------------------------------------|----------------|----------------|----------------|----------------|----------------|----------------|---------------------------|----------------|
| | FY22 | FY23 | FY24 | FY25 | FY26 | FY27 | FY26 | FY27 |
| <u>Expenditures by Fund</u> | | | | | | | | |
| 2000 - Restrict Misc Special Revenue | 2,888 | 1,051 | 1,271 | 1,440 | 794 | 795 | 794 | 795 |
| 2001 - Other Misc Special Revenue | 383,493 | 421,184 | 484,894 | 543,266 | 513,295 | 511,430 | 513,295 | 511,430 |
| Total | 386,382 | 422,235 | 486,165 | 544,706 | 514,089 | 512,225 | 514,089 | 512,225 |
| Biennial Change | | | | 222,254 | | (4,557) | | (4,557) |
| Biennial % Change | | | | 27 | | (0) | | (0) |
| Governor's Change from Base | | | | | | | | 0 |
| Governor's % Change from Base | | | | | | | | 0 |

Expenditures by Category

| | | | | | | | | |
|------------------------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|
| Compensation | 234,856 | 245,424 | 270,974 | 337,327 | 333,817 | 332,917 | 333,817 | 332,917 |
| Operating Expenses | 144,511 | 169,190 | 210,179 | 201,294 | 175,648 | 174,684 | 175,648 | 174,684 |
| Grants, Aids and Subsidies | | | 1 | | | | | |
| Capital Outlay-Real Property | 3,674 | 1,363 | 191 | 654 | 190 | 190 | 190 | 190 |
| Other Financial Transaction | 3,340 | 6,258 | 4,820 | 5,431 | 4,434 | 4,434 | 4,434 | 4,434 |
| Total | 386,382 | 422,235 | 486,165 | 544,706 | 514,089 | 512,225 | 514,089 | 512,225 |

Full-Time Equivalents

| | | | | | | | |
|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| 1,648.47 | 1,737.34 | 1,758.03 | 2,133.48 | 2,064.50 | 2,061.20 | 2,064.50 | 2,061.20 |
|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|

Applications, Projects and Initiatives

Activity Financing by Fund

(Dollars in Thousands)

| | Actual | Actual | Actual | Estimate | Forecast Base | | Governor's Recommendation | |
|---|--------------|--------------|--------------|--------------|---------------|------------|---------------------------|------------|
| | FY22 | FY23 | FY24 | FY25 | FY26 | FY27 | FY26 | FY27 |
| 2000 - Restrict Misc Special Revenue | | | | | | | | |
| Balance Forward In | 3,041 | 2,096 | 1,746 | 1,079 | 279 | 128 | 279 | 128 |
| Receipts | 1,541 | 327 | 264 | 300 | 303 | 327 | 303 | 327 |
| Transfers In | 340 | 340 | 340 | 340 | 340 | 340 | 340 | 340 |
| Balance Forward Out | 2,034 | 1,712 | 1,079 | 279 | 128 | | 128 | |
| Expenditures | 2,888 | 1,051 | 1,271 | 1,440 | 794 | 795 | 794 | 795 |
| Biennial Change in Expenditures | | | | (1,228) | (1,122) | | (1,122) | |
| Biennial % Change in Expenditures | | | | (31) | (41) | | (41) | |
| Governor's Change from Base | | | | | | | 0 | |
| Governor's % Change from Base | | | | | | | 0 | |
| Full-Time Equivalents | 2.58 | 2.49 | 2.58 | 3.20 | 3.00 | 3.00 | 3.00 | 3.00 |

2001 - Other Misc Special Revenue

| | | | | | | | | |
|-----------------------------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|
| Balance Forward In | 59,071 | 46,565 | 74,567 | 51,531 | 14,560 | 6,555 | 14,560 | 6,555 |
| Receipts | 368,621 | 400,202 | 461,855 | 506,295 | 505,290 | 506,465 | 505,290 | 506,465 |
| Transfers In | 150 | 49,447 | 218 | | | | | |
| Transfers Out | 60 | 1,934 | 219 | | | | | |
| Balance Forward Out | 44,289 | 73,095 | 51,527 | 14,560 | 6,555 | 1,590 | 6,555 | 1,590 |
| Expenditures | 383,493 | 421,184 | 484,894 | 543,266 | 513,295 | 511,430 | 513,295 | 511,430 |
| Biennial Change in Expenditures | | | | 223,483 | | (3,435) | | (3,435) |
| Biennial % Change in Expenditures | | | | 28 | | (0) | | (0) |
| Governor's Change from Base | | | | | | | | 0 |
| Governor's % Change from Base | | | | | | | | 0 |
| Full-Time Equivalents | 1,645.89 | 1,734.85 | 1,755.45 | 2,130.28 | 2,061.50 | 2,058.20 | 2,061.50 | 2,058.20 |

Program: IT for Minnesota Government

Activity: Leadership

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

AT A GLANCE

Leadership includes general funded functions that support the enterprise:

- State Chief Information Officer (CIO) office (strategy, direction, and planning)
- Enterprise Security Services
- Minnesota Geospatial Information Office
- Office of Transformation and Service Delivery

PURPOSE AND CONTEXT

Information Technology (IT) leadership covers the administrative and oversight functions of Minnesota IT Services (MNIT), a diverse agency with more than 30 locations. It provides the management strategy and high-level tactics that help MNIT fulfill its mission priorities. IT leadership also develops along with guides IT optimization priorities and projects. Key partners include the Governor's Office, the legislature, agency business leadership, and MNIT services management a staff.

SERVICES PROVIDED

The CIO Office, Enterprise Security, Minnesota Geospatial Information Office, and Office of Transformation and Strategy Delivery Office provide the leadership, planning, as well as support to allow IT services to be delivered to customers in a high-value, cost-effective, along with secure manner. IT leadership funded by general appropriations for the FY 2026-2027 biennium are:

- The State CIO Office provides the overall strategy, direction, and planning over executive branch information technology. The strategic planning undertaken by the State CIO Office helps the agency modernize along with transform its services and products to scale as well as grow. This will enhance IT service delivery including tackling the challenges of improving the customer experience for Minnesotans in a meaningful and long-term way.
- The State CIO Office partners with the Technology Advisory Council to develop recommendations for transforming IT service delivery in Minnesota. The council is a collaboration between private sector IT experts and public sector leaders.
- The Technology Modernization Fund provides opportunities for state agencies to receive funding for near-term modernization efforts that improve customer experience for digital services. Through a governance partnership with the Modernization Steering Team, the Technology Modernization Fund has funded over \$11 million in investments across 21 approved requests since summer 2023.
- The Enterprise Security Office (ESO) provides the vision and strategy necessary to secure the state. The office:
 - Implements the security foundation for the executive branch including a comprehensive service delivery model, standardized policy framework, and an Information Security Strategic Plan.
 - Promotes collaboration as well as partnerships with other levels, units, and branches of government to address the persistent, evolving cybersecurity threats more effectively through a whole-of-state approach to cybersecurity.
 - Improves Minnesota's cybersecurity workforce through partnerships with academia, promoting cybersecurity careers, and innovative programs like Scholarship for Service.

- Implements cybersecurity enhancements following the additional \$5 million per year in funding MNIT received as an ongoing supplemental appropriation starting in FY 2020-21. This funding provides for additional staff, professional technical services, and software. This investment has been enhanced by a one-time \$32 million dollar investment over two biennia providing enhancement to a whole-of-state approach for cybersecurity, as well as investments that will improve security of state systems.
- The Minnesota Geospatial Information Office (MnGeo) provides geospatial leadership, coordination, and collaboration for the Minnesota geospatial community including for the state agencies on geospatial matters. This involves:
 - Outreach along with communication to and partnership with state agencies, local as well as national government agencies, non-government organizations, and Minnesotans.
 - Data coordination efforts, especially stewardship of foundational statewide datasets, fostering use of data standards, and identification including prioritization of data gaps. These coordination efforts involve 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. MnGeo's general fund appropriations are guided by recommendations from the Minnesota Geospatial Advisory Council (GAC).
- The Office of Transformation and Strategy Delivery (OTSD) delivers modern services that benefit Minnesotans by promoting industry best practices and tools enabling the agencies to deliver business outcomes to improve the lives of all Minnesotans.
 - OTSD offers all services related to technology portfolio management via governance, training, policy, reporting, implementation, and support.
 - The office is responsible for facilitating the development of MNIT's Strategic Plan including monitoring and reporting on the progress.
 - Together, these programs create informed and innovative approaches that enable executive branch agencies to deliver modern services through organizational change and measurement.

Results

| Measure name | Measure type | Measure data source | Historical trend | Most recent data |
|--|--------------|---------------------|----------------------------|------------------|
| <i>IT Spend percent of total expenditures by state agencies subject to consolidation.</i> <i>By comparison, Avasant, a marketing research firm, reported total IT Spend (as a % of revenue) of 2.4% for all organizations.</i> <i>Note: IT Spend ratio to revenue/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.</i> | Quantity | SWIFT/Avasant | Between 1.5-2.0% | 1.9%-FY2023 |
| Number of agencies contributing data to the Geospatial Commons | Quantity | MnGeo staff | Increased from 46 to 48 | 48-FY2024 |
| Number geospatial resources on the Geospatial Commons | Quantity | MnGeo staff | Increased from 989 to 1037 | 1037-FY2024 |

| Measure name | Measure type | Measure data source | Historical trend | Most recent data |
|--|--------------|---------------------|-----------------------------|------------------|
| <i>Spend as a percent of total IT spending by state agencies subject to consolidation.</i> <i>By comparison, Gartner benchmarks a cross-industry median IT security spend at 5.20% of IT spend (5.6% when just comparing to state/local government) – CY2022 benchmarks</i> | IT Security | SWIFT/Gartner | Increased from 2.3% to 3.6% | 3.6%-FY2023 |

MNIT 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 FY22 | Actual FY23 | Actual FY24 | Estimate FY25 | Forecast Base FY26 FY27 | | Governor's Recommendation FY26 FY27 | |
|--|----------------|----------------|----------------|------------------|----------------------------|--|---|--|
|--|----------------|----------------|----------------|------------------|----------------------------|--|---|--|

Expenditures by Fund

| | | | | | | | | |
|-------------------------------|--------------|---------------|---------------|----------------|---------------|---------------|---------------|---------------|
| 1000 - General | 7,924 | 11,153 | 34,689 | 111,312 | 10,753 | 10,772 | 10,939 | 11,150 |
| Total | 7,924 | 11,153 | 34,689 | 111,312 | 10,753 | 10,772 | 10,939 | 11,150 |
| Biennial Change | | | | 126,925 | | (124,476) | | (123,912) |
| Biennial % Change | | | | 665 | | (85) | | (85) |
| Governor's Change from Base | | | | | | | | 564 |
| Governor's % Change from Base | | | | | | | | 3 |

Expenditures by Category

| | | | | | | | | |
|------------------------------|--------------|---------------|---------------|----------------|---------------|---------------|---------------|---------------|
| Compensation | 4,314 | 5,545 | 7,015 | 11,295 | 6,629 | 6,707 | 6,807 | 7,068 |
| Operating Expenses | 3,603 | 5,599 | 16,245 | 99,591 | 4,123 | 4,064 | 4,131 | 4,081 |
| Grants, Aids and Subsidies | | | 9,118 | 6 | | | | |
| Capital Outlay-Real Property | | | 2,162 | | | | | |
| Other Financial Transaction | 6 | 9 | 150 | 420 | 1 | 1 | 1 | 1 |
| Total | 7,924 | 11,153 | 34,689 | 111,312 | 10,753 | 10,772 | 10,939 | 11,150 |

Full-Time Equivalents

| | | | | | | | |
|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| 27.53 | 36.76 | 42.43 | 56.11 | 35.49 | 35.49 | 35.49 | 35.49 |
|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|

Leadership

Activity Financing by Fund

(Dollars in Thousands)

| | Actual | Actual | Actual | Estimate | Forecast Base | | Governor's Recommendation | |
|-----------------------------------|--------------|---------------|---------------|----------------|---------------|---------------|---------------------------|---------------|
| | FY22 | FY23 | FY24 | FY25 | FY26 | FY27 | FY26 | FY27 |
| 1000 - General | | | | | | | | |
| Balance Forward In | | 2,046 | 0 | 55,286 | | | | |
| Direct Appropriation | 9,855 | 9,882 | 89,997 | 56,026 | 10,753 | 10,772 | 10,939 | 11,150 |
| Transfers In | | 1 | 10,345 | 567 | | | | |
| Transfers Out | | 776 | 10,368 | 567 | | | | |
| Cancellations | | 1 | | | | | | |
| Balance Forward Out | 1,931 | | 55,285 | | | | | |
| Expenditures | 7,924 | 11,153 | 34,689 | 111,312 | 10,753 | 10,772 | 10,939 | 11,150 |
| Biennial Change in Expenditures | | | 126,925 | | (124,476) | | (123,912) | |
| Biennial % Change in Expenditures | | | 665 | | (85) | | (85) | |
| Governor's Change from Base | | | | | | | 564 | |
| Governor's % Change from Base | | | | | | | 3 | |
| Full-Time Equivalents | 27.53 | 36.76 | 42.43 | 56.11 | 35.49 | 35.49 | 35.49 | 35.49 |

MN Department of IT Services

IT for Minnesota Government

MNIT Services (5500 Fund)

Revenues, Expenses and Changes in Net Assets

(Dollars in Thousands)

| | Actual FY 2024 | Projected FY 2025 | Projected FY 2026 | Projected FY 2027 |
|--|-------------------|----------------------|----------------------|----------------------|
| Operating Revenues: | | | | |
| Net Sales | 250,490 | 253,634 | 278,266 | 278,266 |
| Rental and Service Fees | | | | |
| Insurance Premiums | | | | |
| Other Income | | | | |
| Total Operating Revenues | 250,490 | 253,634 | 278,266 | 278,266 |
| Gross Margin | 250,490 | 253,634 | 278,266 | 278,266 |
| Operating Expenses: | | | | |
| Purchased Services | 76,492 | 88,655 | 95,256 | 95,256 |
| Salaries and Fringe Benefits | 120,211 | 129,203 | 137,009 | 137,009 |
| Claims | | | | |
| Depreciation | 12,834 | 11,035 | 15,790 | 15,790 |
| Amortization | 14,541 | 14,541 | 14,541 | 14,541 |
| Supplies and Materials | 10,524 | 14,976 | 12,065 | 12,065 |
| Indirect Costs | 1,062 | 1,235 | 1,409 | 1,409 |
| Other Expenses | 18 | | | |
| Total Operating Expenses | 235,682 | 259,645 | 276,070 | 276,070 |
| Operating Income (Loss) | 14,808 | (6,011) | 2,196 | 2,196 |
| Nonoperating Revenues (Expenses): | | | | |
| Investment Income | 1,024 | | | |
| Interest and Financing Costs | (3,433) | (750) | (2,086) | (2,086) |
| Other Nonoperating Expenses | | | | |
| Gain (Loss) on Disposal of Capital Assets | (1) | | | |
| Total Nonoperating Revenues (Expenses) | (2,410) | (750) | (2,086) | (2,086) |
| Income (Loss) Before Transfers and Contributions | 12,398 | (6,761) | 110 | 110 |
| Capital Contributions | | | | |
| Transfers in | | | | |
| Transfers out | (111) | (110) | (110) | (110) |
| Change in Net Assets | 12,287 | (6,871) | 0 | 0 |
| Net Assets, Beginning as Reported | 24,584 | 36,871 | 30,000 | 30,000 |
| Net Assets, Ending | 36,871 | 30,000 | 30,000 | 30,000 |
| Rate increase/(decrease) | | | | |
| Full Time Equivalents (FTE) | 815.5 | 853.0 | 867.0 | 867.0 |

MN Department of IT Services

IT for Minnesota Government

MNIT Services (5500 Fund)

Net Assets

(Dollars in Thousands)

| | Actual FY 2024 | Projected FY 2025 |
|--|-------------------|----------------------|
| ASSETS | | |
| Current Assets: | | |
| Cash and Cash Equivalents | 80,508 | 77,441 |
| Investments | | |
| Accounts Receivable | 34,465 | 30,685 |
| | | |
| Accrued Investment/Interest Income | | |
| Inventories | 2,836 | 2,836 |
| Deferred Costs | | |
| Total Current Assets | 117,809 | 110,962 |
| Noncurrent Assets: | | |
| Deferred Costs | | |
| Depreciable Capital Assets (Net) | 74,825 | 91,249 |
| Total Noncurrent Assets | 74,825 | 91,249 |
| Total Assets | 192,634 | 202,211 |
| LIABILITIES | | |
| Current Liabilities: | | |
| Accounts Payable | 9,383 | 9,381 |
| Interfund Payables | 60,000 | 60,000 |
| Unearned Revenue | 2,077 | 2,103 |
| Loans Payable | 22,586 | 22,586 |
| Compensated Absences Payable | 1,916 | 1,916 |
| Total Current Liabilities | 95,962 | 95,986 |
| Noncurrent Liabilities: | | |
| Loans Payable | 46,959 | 63,383 |
| Compensated Absences Payable | 12,842 | 12,842 |
| Other Liabilities | 0 | |
| Total Noncurrent Liabilities | 59,801 | 76,225 |
| Total Liabilities | 155,763 | 172,211 |
| NET ASSETS | | |
| Invested in Capital Assets, Net of Related Debt | 4,331 | 4,331 |
| Unrestricted | 32,540 | 25,669 |
| Total Net Assets | 36,871 | 30,000 |

MN Department of IT Services

IT for Minnesota Government

MNIT Services (5500 Fund)

Brief Narrative

Background:

MNIT (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:

MNIT has a \$60M Cash Assistance loan from Minnesota Management & Budget as per Minnesota Statutes 16E.14 Subd. 4 (b) and is repayable at the end of the biennium. MNIT intends to request a new cash assistance loan for FY26-27

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

The FY26-27 budget includes both investments in technology (software) and in equipment. Software investments include increases in enhanced Microsoft software. MNIT will purchase capital assets using Master Lease totaling \$15 million dollars in FY26 and \$13 million in FY27. These planned equipment refreshes are associated with Storage Area Network (SAN), Local Area Network (LAN), Wide Area Network (WAN), Server, and desktop/laptop refresh/replacement equipment based on replacement schedules.

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

FY26-27 rate package, MNIT continued to establish rates based upon forecasted volumes and expenses. Volumes are based upon agency demand estimates and expenses considering contractual salary and vendor cost increases. There were notable changes in FY26-27 agency forecasted service volumes reflecting the trend away from dedicated onsite hosting services to cloud and virtualized hosting services. This trend has resulted in lower usage of existing data center capacity and other on-prem hosting services. FY26-27 total budgeted costs increased 14% from the FY24-25 budget. Salary/fringe costs increased 18% due to carry-forward of FY24/25 COLA, increased insurance, and job audit carry-over effect. Non salary costs increased 10% primarily from software volumes, inflation, and Microsoft G5 desktop license upgrade.

Explain any reasons for rate changes:

Most Telecom, Networking, Web, MNEIAM, and Enterprises SW rates experienced moderate increases of 5-7% as a result of higher than normal salary/benefit and software inflation. Enterprise SW also shifted to the enhanced G5 Microsoft license enabling more security and AI capabilities. Workstation rates increased 14-19% as a result of being more labor intensive and therefore more impacted by salary/fringe inflation and a higher number of job audits. There was also some increased equipment cost from a GASB accounting change. MNIT Intermediate and Advanced Professional services were up 14-22% as a result of higher salary/benefit costs and lower billable hour experience. On-prem hosting services (excluding Mainframe and Cloud) experienced rate increases of 18-49% primarily as a result of the transition of on-prem hosting to the cloud without equivalent expense decreases. MNIT is running both on-prem and Cloud environments of significant scale currently. Most other services had relatively minor increases and decreases.

Impact of rate changes on affected agencies:

As part of the FY26-27 rate-setting process, MNIT provides impact data by agency, which is communicated to agencies to allow for planning and budgeting. Overall, most agencies experienced an increase in enterprise service costs, driven by several key factors. These include changes due to increased service volumes, rates, administrative costs, and cost services (one-time projects, pass-through, etc.). The primary drivers for these changes include inflationary pressures such as general software and equipment expense increases, carry-forward of FY24-25 COLA; increased cloud expenditures attributed to the ongoing Microsoft Azure cloud migration ramp-up; service enhancements such as the enhanced Microsoft Enterprise Agreement with more security and AI capabilities; investment in customer service experience, and other increases such as staffing costs due to job audits/reallocations. As mentioned above 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. We anticipate that MNIT will continue to adjust some rates and/or issue rebates/bills to agencies during FY26/27 as we monitor product line margins on a quarterly basis.