

HF2138 - 0 - "MN.IT Performance Outcomes Required"

Chief Author: **Jim Nash**
 Committee: **State Government Finance**
 Date Completed: **03/16/2017**
 Agency: **MN.IT Services**

State Fiscal Impact	Yes	No
Expenditures	X	
Fee/Departmental Earnings		X
Tax Revenue		X
Information Technology	X	
Local Fiscal Impact		X

This table shows direct impact to state government only. Local government impact, if any, is discussed in the narrative. Reductions shown in the parentheses.

State Cost (Savings)	Biennium			Biennium		
	Dollars in Thousands	FY2017	FY2018	FY2019	FY2020	FY2021
General Fund	-	14,214	-	-	-	-
Total	-	14,214	-	-	-	-
Biennial Total			14,214			-

Full Time Equivalent Positions (FTE)	Biennium			Biennium	
	FY2017	FY2018	FY2019	FY2020	FY2021
General Fund	-	-	-	-	-
Total	-	-	-	-	-

Executive Budget Officer's Comment

I have reviewed this fiscal note for reasonableness of content and consistency with MMB's Fiscal Note policies.

EBO Signature: Alisha Cowell Date: 3/16/2017 10:39:41 AM
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State Cost (Savings) Calculation Details

This table shows direct impact to state government only. Local government impact, if any, is discussed in the narrative. Reductions are shown in parentheses.

*Transfers In/Out and Absorbed Costs are only displayed when reported.

State Cost (Savings) = 1-2		Biennium			Biennium	
Dollars in Thousands	FY2017	FY2018	FY2019	FY2020	FY2021	
General Fund	-	14,214	-	-	-	-
Total	-	14,214	-	-	-	-
Biennial Total			14,214			-
1 - Expenditures, Absorbed Costs*, Transfers Out*						
General Fund	-	14,214	-	-	-	-
Total	-	14,214	-	-	-	-
Biennial Total			14,214			-
2 - Revenues, Transfers In*						
General Fund	-	-	-	-	-	-
Total	-	-	-	-	-	-
Biennial Total			-			-

Bill Description

Section 1, Subd. 2 requires MN.IT to submit a comprehensive project portfolio report on a quarterly basis.

Section 2, Subd. 1 requires the completion of all executive branch information technology consolidation activities by December 31, 2018.

Section 2, Subd. 2 requires that, by December 31, 2018, MN.IT host at least 25 percent of all state agency servers on a public cloud solution, store at least 35 percent of all state agency data on a public cloud solution, operate no more than six data centers statewide.

Section 2, Subd. 3 requires that, by June 30, 2019, MN.IT reduce total personnel costs by at least \$3,000,000.

Section 2, Subd. 4 requires a report on the status of business application software consolidation, including the outcomes achieved to date and a plan and timeline for continued consolidation of business application software with measurable outcome goals.

Assumptions

MN.IT assumes that the application consolidation report called for in Section 2, Subd. 4 will entail the classification of over 2800 business applications and identification of those applications performing similar business functions, in addition to development of a strategic plan for consolidation of those applications over time.

MN.IT assumes that the application consolidation report called for in Section 2, Subd. 4 will not entail full documentation of business requirements or business application functionality.

MN.IT assumes that the personnel cost reductions require in Section 2, Subd. 3 would be applied to MNIT's total contingent of personnel and is not specifically directed at staff costs supported by MN.IT's direct general fund appropriation.

Expenditure and/or Revenue Formula

The application consolidation report included in Section 2, Subd. 4 of the bill would require .5 FTE of dedicated staff time in fiscal year 2018 for the research and high-level documentation of over 2800 business applications and development of the business application consolidation plan. Using MN.IT's FY18 published rates for intermediate-level professional services

(\$80.60 /hour), this amounts to \$83,824 in FY18. Methodology is as follows:

$$1040 \text{ hours} * \$80.60/\text{hr} = \$83,824$$

Section 2, Subd. 2 and Subd. 3 will require the consolidation of existing state agency data centers and the transition of state agency servers and data to public cloud solutions. This would require funding for IT hardware, software and professional services to facilitate the move of servers and storage into MN.IT's enterprise datacenters and migration of applications, servers and storage into public cloud-based solutions. In total, this would require \$14,130,308 for the biennium. Methodology is as follows:

	FY18	FY19
Professional/Technical Services	\$7,048,100	
Hardware	\$5,044,075	
Software	\$2,038,133	
TOTAL	\$14,130,308	

In order to arrive at the cost estimates for reducing the total number of data centers to six, MN.IT quantified the current hardware and infrastructure remaining in agency-based data centers. Relying on historical experience with past data center migrations, MN.IT identified specific hardware and software items that were needed in the State's enterprise datacenters in order to accommodate the move of the remaining agency-based data centers. MN.IT also relied on historical experience with past migrations to estimate the total number of professional/technical service hours required to assess infrastructure ahead of migration, assist with planning for the migrations, and assist with the physical migration of hardware to the enterprise data centers.

In order to estimate costs for meeting the goals outlined in the bill for public cloud hosting, MNIT contacted public cloud service providers and received high-level estimates for the professional/technical service hours required to assess the viability and security requirements of moving certain applications and databases to cloud offerings and ultimately move roughly 2,000 servers and applications into the cloud from on-premise datacenters.

MN.IT is not showing a savings for the personnel cost reductions mandated in Section 2, Subd. 3 because those staff reductions would not result in the reduction of costs borne by MN.IT, but rather would result in reduced personnel costs in agencies' local IT budgets or in the reduction of costs included in (or reduced cost growth in) MNIT's rate-based services provided to other state agencies. Without a commensurate reduction IT service demand, these mandated personnel reductions may result in increased professional/technical service costs in local agency budgets as workloads are shifted from state personnel to contractors, balancing out any reduction in local agency IT budget staff costs.

Long-Term Fiscal Considerations

None

Local Fiscal Impact

None

References/Sources

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