

What is the recommended change?



General Fund

\$714,000 in FY2018
\$847,000 FY2019 & beyond



7.3 FTEs retained in FY2018
7.8 FTEs retained in FY2019 & beyond

Why is this change necessary or important?

General operating costs increase overtime. The Department of Administration has experienced increased costs for employer-paid health care contributions, pension contributions, FICA and Medicare, and other salary and compensation costs. Other operating costs like rent and lease, fuel and utilities, and IT and legal service costs also grow. **This Operating Adjustment is essential to Admin's ability to continue current administrative services to Minnesotans and to the Enterprise.** Funds will be used to pay for employee compensation growth, employer-paid pension cost, space and supplies costs, and other operating costs.

The Governor's recommended funding increase will be used to continue providing:

- » Oversight of state contracts, including contracts entered into across the enterprise through delegated authority.
- » Staff resources used to negotiate contract savings.
- » Oversight of construction projects in order to avoid higher consulting costs for capital improvement projects, and minimize risks that state funded projects do not reflect the state's infrastructure needs once completed.
- » The bare minimum level of enterprise real property services.
- » Current levels of data practices support, which is already less than desired or historic level of service.
- » Continuous improvement services critical to streamlining state processes and delivering better government.

Without the recommended increase in funding for ongoing operations, Admin's centralized service delivery will erode and the agency will be required to reduce operations.

What will the recommended change do?

The Governor's recommendation will provide funding for known FY 18-19 operating costs that will allow Admin to maintain delivery of current services to Minnesotans and to the Enterprise. **This Operating Adjustment is vital to maintaining and delivering current administrative functions and service levels, which are basic governmental functions that must be supported.**

How will this recommended change create a better Minnesota?

Centralized services for common administrative functions is an industry best practice because it promotes greater efficiency, reduces risk, increases transparency, and ensures consistent processes for customers and business partners. When properly funded, Admin's business units reduce redundancies, negotiate significant cost savings on state contracts, and create more business opportunities for minority, women, and veteran-owned businesses. **Failure to fully fund this recommendation will result in the erosion of centralized services to all state agencies, and the elimination of some key administrative functions which could eventually yield higher-cost state government in the future.**

In Lieu of Rent (ILR)

What is the recommended change?



General Fund

\$1,216,000 in FY2018

\$1,233,000 FY2019 & beyond

Why is this change necessary or important?

The In Lieu of Rent (ILR) appropriation funds general operating costs for the state office building, the newly restored State Capitol, offices used by organizations that support and advocate on behalf of Minnesota's veterans, and space that provides vocational opportunities for the blind. ILR funds rent, maintenance, and operations in areas that are either ceremonial or where occupants do not directly pay rent.

The ILR appropriation has been essentially flat since 2003. The Governor's recommendation, will provide the **funding needed to operate the following increased costs:**

- » General increases for staff costs, such as employer-paid health care contributions, pension contributions, FICA and Medicare, and other salary and compensation costs increase. Other operating costs like fuel, utility, and IT costs to maintain automated heating and cooling systems grow,
- » The restored Capitol is served by more modern and robust mechanical systems that need to be maintained,
- » Roughly \$300,000 each year to reset Capitol labor staffing to pre-restoration levels to ensure consistent and proper maintenance of the building,
- » \$175,000 per year additional funding to perform recommended inspections and related preventative maintenance in accordance with the restored Capitol's maintenance protocol, and
- » Cost attributable to the amount of space covered by the ILR appropriation is increasing by approximately 30,000 square feet.

Without an increase in ILR funding, Admin will not be able to provide the staffing and maintenance necessary to properly care for the State's real property assets, including the State Office Building and the State's recent investment in the restoration of the State Capitol.

What will the recommended change do?

The Governor's recommendation will provide funding for the known FY 18–19 costs of operating and maintaining spaces utilized by veteran services organizations, the legislature, Services for the Blind, and public-use spaces, including ceremonial space, the capitol grounds, and statutorily free space. **ILR is the only available source of funding for maintenance and operation of these facilities throughout the Capitol Complex.**

How will this recommended change create a better Minnesota?

The State has made a conscious decision not to charge for space occupied by veterans' service organizations and State Services for the Blind. These groups require access to state government without having to worry about costs. **Failure to fully fund this item may result in a reduction of available space, or in the level of maintenance of this space for legislatively directed entities.**

Minnesota's \$310 million Capitol restoration project is nearing completion and the building re-opened January 3. In many areas, the restored Capitol's space has transitioned from office space to ceremonial and public spaces. With significantly more space dedicated to public use, building usage throughout the year is expected to increase. **Such a change in space usage is a great benefit to Minnesotans, but necessitates additional resources such as increased operating time for building utility systems, more custodial staff, reservations capability, and insurance.**

What is the recommendation?



General Fund

\$10,000,000 in FY2018
\$0 FY2019 & beyond



8 FTEs during the project

Why is this change necessary or important?

In the absence of a modern Enterprise eProcurement System, state agencies have created a fragmented and disparate patchwork of processes, practices, and systems to facilitate the procurement process from requisition through payment. This leads to inconsistent implementation of the State's standard policies, a lack of common procedures. Further, Admin's Office of State Procurement (OSP) lacks sufficient data to fully leverage the \$2.7 billion in goods and services procured for the State annually as a result of out-of-date technology and processes.

A modern Enterprise eProcurement System is imperative to any large, smart organization operating in the twenty-first century. Our technology, and procurement procedures and processes, have not kept up with State needs. As a result, we:

- » lack sufficient data on state purchases and are overly reliant on staff to input manual computations,
- » are limited in our ability to track and report on contracts with minority-, women-, and veteran-owned businesses, and
- » are hindered in our ability to streamline certification processes for our Targeted-Group businesses and the re-certification of vendors.

What will the recommended change do?

A modern eProcurement system will provide a procedural procurement framework and actionable, consistent data across the enterprise. The Governor's recommendation will provide funding to begin the implementation of a modernized procurement system., which will:

- » allow Admin and state agencies to simplify purchasing processes,
- » eliminate some of the 40 sub-systems now used by agencies to facilitate purchases,
- » improve solicitation of proposals and vendor selection, and
- » simplify and enhance the vendor experience which will encourage increased competition for state contracts,
- » create data tools that will help drive purchasing savings and reduce purchasing delays.

Phase one of modernizing the Enterprise eProcurement System includes business process improvement and vendor enablement, sourcing functionalities for central procurement, and initial integration with existing systems.

Phase two includes the roll-out of sourcing modules to state agencies, contract management and data tracking functionalities, and spending analysis that would drive cost savings. Without a corresponding increase in Enterprise eProcurement System funding, the enterprise will continue to lag the technology use by other states and private companies.

How will this recommended change create a better Minnesota?

A modern Enterprise eProcurement System brings Admin into the 21st century and allows the states to:

- » leverage spend to meet policy goals
 - including targeted-group, economically-disadvantaged, and veteran-owned businesses
- » leverage spend to maximize value
- » manage contracts to better hold contractors accountable

What is the recommended change?



General Fund

\$190,000 in FY2018
\$190,000 FY2019 & beyond



1.5 FTEs in FY2018 & beyond

Why is this change necessary or important?

The Governor's proposal will fund the State Demographic Center's (SDC) participation in the federal 2020 Census and assist with ongoing reporting and communication demands related to the annual American Community Survey (ACS). **The 2020 Census will determine whether Minnesota retains eight Congressional Seats**; the population data is also used to:

- » **allocate \$400 billion of federal grant funds annually,**
- » **guide private investment in the state, and**
- » **inform diversity and inclusion efforts in the public, private, and non-profit sectors.**

The 2020 Census process began earlier this year and will continue through 2021. The SDC assists the Census Bureau with:

- » identifying data sources,
- » verifying the accuracy of geo-coding, and
- » providing other technical assistance essential to achieving the most complete and accurate Census possible.

The SDC will also use the recommended funds to support communications related to completion of the decennial census, and the ongoing American Community Survey (ACS). The data expertise provided by the SDC is distinct from the Census support provided by non-profits and community-based organizing efforts, who assist with door-to-door and targeted outreach efforts.

What will the recommended change do?

This proposal funds 1.5 FTEs for Admin's "ramp up" related to Minnesota-specific technical work that will be used by the Census Bureau for FY2018-2021. When implemented, this proposal will allow the SDC to support the 2020 Census and better assist the public with understanding demographic data. This will maximize Minnesota's population count and meet or exceed the 81% participation rate in the 2010 Census as well as support the ongoing analysis and dissemination of data for public consumption related to the ACS.

How will this recommended change create a better Minnesota?

Minnesota, like all states, is experiencing significant and permanent shifts in its demographic characteristics. As many recent policy discussions have highlighted, equity gaps in household income, health conditions, and other disparities persist. While this request is designed primarily to support completion of the decennial census and the ACS. It is clear that such data, and the SDC's expertise and analytical services play a crucial role in understanding disparities, helping shape policy solutions, and measuring progress toward meeting equity goals. Additionally, this data is essential for the state in drawing federal funds. For example, in 2010, it was estimated that each additional person counted correlated to additional \$14,000 in federal funds annually.