

Table of Contents

Office of MN.IT Services

Agency Profile.....	1
Expenditures Overview.....	3
Financing by Fund.....	4
Change Item: Securing the State.....	7
Change Item: Application Accessibility Assessment.....	9
Change Item: Cash Flow Assistance.....	11
Change Item: Operating Adjustment.....	12
IT Services.....	13
Expenditures Overview.....	15
Financing by Fund.....	16
Projects & Initiatives.....	17
Expenditures Overview.....	18
Financing by Fund.....	19
Leadership.....	21
Expenditures Overview.....	22
Financing by Fund.....	23
Internal Service Funds Statements.....	24

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AT A GLANCE

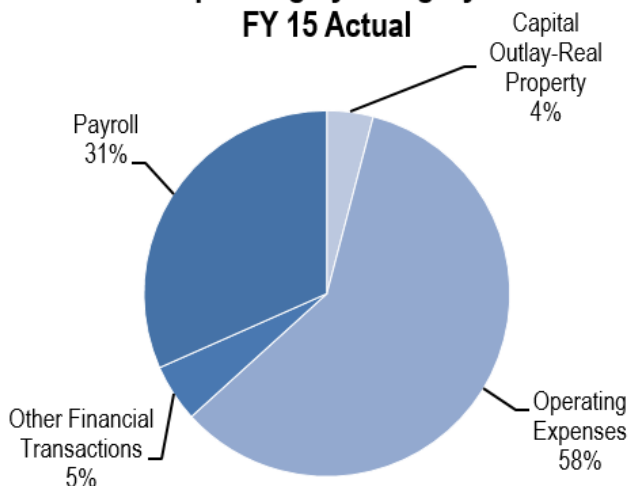
- Provides all information technology (IT) services to 64 executive branch entities and offers a sub-set of services to cities, counties and other non-executive branch entities
- Responsible for 2,254 IT employees in FY16
- Hosting and support of 2,300 agency applications in FY16
- Manages security for systems and applications at 135 locations
- Oversight of executive branch IT 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. As the State's provider of efficient and cost-effective IT services for agencies and citizens, MN.IT Services directly contributes to the State's results-based outcome of: **Efficient and accountable government services**. In addition, we support all of the results-based outcomes, including health, public safety, employment and economic development, education and natural resources, by providing IT computing and telecommunications resources to support agency business goals, and by managing the applications that run agency programs.

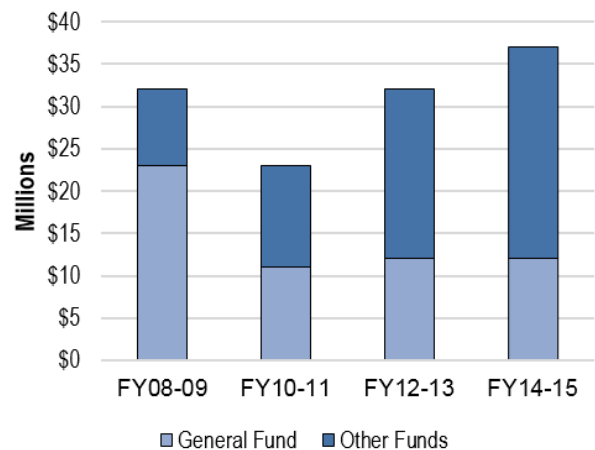
BUDGET

**Spending by Category
FY 15 Actual**



Source: 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

MN.IT spending is primarily funded by chargebacks to agencies for IT services through the Enterprise Technology Fund (excluded from Spending Chart above). In FY 2015, this totaled \$221.6 million. General Fund appropriations for the Chief Information Officer (CIO) office, enterprise security, and geospatial (MNGeo) functions (\$2.36 million in FY 2015), and special revenue funds (\$5.6 million in FY 2015, excluding projects) comprise the remaining agency funding. The FY 2008-09 biennium was the first biennium that MN.IT had authority for the Special Revenue Fund that consists of agency contributions to enterprise IT projects. General fund spending increased in FY 2008-09 primarily for enterprise security, which was reduced in subsequent biennia.

Since the 2011 Legislature enacted IT consolidation, MN.IT consolidated finances, purchasing, and data centers to produce cost avoidance 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

Secure the State – As part of MN.IT’s efforts to protect Minnesotans from cyber threats and protect the State’s sensitive data assets, Commissioner Baden’s top priority is to implement a new strategic cyber security plan. The Commissioner’s plan will prioritize initiatives for the management, control, and protection of assets, including:

- Proactively managing risk
- Improving situational awareness
- Having a robust crisis and incident response
- Partnering with public and private entities to ensure success

Improving our services through collaboration – MN.IT will implement an enterprise governance structure that brings greater transparency to decision-making, and fosters collaboration to produce improved Information Technology services and solutions.

Shared Technology Services – Maximizing shared technologies gives the state the opportunity to provide a higher level of service at a lower cost. This approach improves the security of agency systems and allows our agency partners to focus on serving citizens and building value-added business applications.

Delivering Digital Services – The way Minnesotans find and use government services has changed. We will leverage technology to modernize service delivery and ensure that Minnesotans can easily access needed information and services.

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

Expenditures By Fund

	Actual	Actual	Actual	Estimate	Forecasted Base		Governor's Recommendation	
	FY14	FY15	FY16	FY17	FY18	FY19	FY18	FY19
1000 - General	4,355	8,197	4,796	5,818	4,385	3,152	27,149	8,084
2000 - Restrict Misc Special Revenue	4,784	9,151	6,067	6,247	615	635	615	635
2001 - Other Misc Special Revenue	8,685	8,514	18,091	15,471	9,099	4,828	9,099	4,828
3000 - Federal	85	0	0	0	0	0	0	0
5000 - Master Lease	4,105	4,669	4,411	7,032	6,002	6,087	6,002	6,087
5500 - MN.IT Services	153,381	221,318	340,705	454,218	453,902	440,185	453,902	440,185
Total	175,395	251,848	374,069	488,786	474,002	454,887	496,766	459,819
<i>Biennial Change</i>				435,612		66,033		93,729
<i>Biennial % Change</i>				102		8		11
<i>Governor's Change from Base</i>								27,696
<i>Governor's % Change from Base</i>								3

Expenditures by Program

Program: IT For Minnesota Government	175,395	251,848	374,069	488,786	474,002	454,887	496,766	459,819
Total	175,395	251,848	374,069	488,786	474,002	454,887	496,766	459,819

Expenditures by Category

Compensation	69,015	81,239	207,555	268,711	258,071	255,805	260,292	258,084
Operating Expenses	93,834	143,641	146,213	195,568	191,474	175,539	212,017	178,192
Other Financial Transactions	8,333	15,161	13,031	17,023	18,437	17,438	18,437	17,438
Grants, Aids and Subsidies	20	317	17	36	18	18	18	18
Capital Outlay-Real Property	4,193	11,491	7,253	7,449	6,002	6,087	6,002	6,087
Total	175,395	251,848	374,069	488,786	474,002	454,887	496,766	459,819
Total Agency Expenditures	175,395	251,848	374,069	488,786	474,002	454,887	496,766	459,819
Internal Billing Expenditures				23	20	20	20	20
Expenditures Less Internal Billing	175,395	251,848	374,069	488,763	473,982	454,867	496,746	459,799
<u>Full-Time Equivalents</u>	630.8	723.6	1,753.4	2,376.9	2,383.9	2,382.6	2,401.9	2,400.6

1000 - General

	Actual	Actual	Actual	Estimate	Forecast Base		Governor's Recommendation	
	FY14	FY15	FY16	FY17	FY18	FY19	FY18	FY19
Balance Forward In	0	7,330	4,807	3,248	1,232	0	1,232	0
Direct Appropriation	2,431	2,431	2,526	2,622	2,622	2,622	25,386	7,554
Net Transfers	8,897	3,297	710	1,180	530	530	530	530
Cancellations	0	65	0	0	0	0	0	0
Expenditures	4,355	8,197	4,796	5,818	4,385	3,152	27,149	8,084
Balance Forward Out	6,973	4,796	3,248	1,232	0	0	0	0
<i>Biennial Change in Expenditures</i>				(1,938)		(3,077)		24,619
<i>Biennial % Change in Expenditures</i>				(15)		(29)		232
<i>Gov's Exp Change from Base</i>								27,696
<i>Gov's Exp % Change from Base</i>								367
Full-Time Equivalents	15.9	26.9	15.9	17.3	16.8	16.5	34.8	34.5

2000 - Restrict Misc Special Revenue

	Actual	Actual	Actual	Estimate	Forecast Base		Governor's Recommendation	
	FY14	FY15	FY16	FY17	FY18	FY19	FY18	FY19
Balance Forward In	5,517	11,430	13,699	7,972	2,065	1,790	2,065	1,790
Receipts	5,732	5,556	0	0	0	0	0	0
Net Transfers	3,270	3,092	340	340	340	340	340	340
Cancellations	0	21	0	0	0	0	0	0
Expenditures	4,784	9,151	6,067	6,247	615	635	615	635
Balance Forward Out	9,735	10,907	7,972	2,065	1,790	1,495	1,790	1,495
<i>Biennial Change in Expenditures</i>				(1,620)		(11,065)		(11,065)
<i>Biennial % Change in Expenditures</i>				(12)		(90)		(90)
<i>Gov's Exp Change from Base</i>								0
<i>Gov's Exp % Change from Base</i>								0
Full-Time Equivalents	3.4	4.8	6.6	6.6	2.0	2.0	2.0	2.0

2001 - Other Misc Special Revenue

	Actual	Actual	Actual	Estimate	Forecast Base		Governor's Recommendation	
	FY14	FY15	FY16	FY17	FY18	FY19	FY18	FY19
Balance Forward In	19,829	16,061	40,854	23,788	10,870	3,471	10,870	3,471
Receipts	4,525	2,690	2,712	2,551	1,700	1,700	1,700	1,700
Net Transfers	22	28,967	(1,686)	0	0	0	0	0
Expenditures	8,685	8,514	18,091	15,471	9,099	4,828	9,099	4,828

2001 - Other Misc Special Revenue

Balance Forward Out	15,692	39,204	23,788	10,870	3,471	342	3,471	342
<i>Biennial Change in Expenditures</i>				16,363		(19,635)		(19,635)
<i>Biennial % Change in Expenditures</i>				95		(59)		(59)
<i>Gov's Exp Change from Base</i>								0
<i>Gov's Exp % Change from Base</i>								0
Full-Time Equivalents	9.1	11.0	26.7	26.6	17.6	16.6	17.6	16.6

3000 - Federal

	Actual	Actual	Actual	Estimate	Forecast Base		Governor's Recommendation	
	FY14	FY15	FY16	FY17	FY18	FY19	FY18	FY19
Receipts	85	0	0	0	0	0	0	0
Expenditures	85	0	0	0	0	0	0	0
<i>Biennial Change in Expenditures</i>				(85)				
<i>Biennial % Change in Expenditures</i>				(100)				
Full-Time Equivalents	0.4	0.0						

5000 - Master Lease

	Actual	Actual	Actual	Estimate	Forecast Base		Governor's Recommendation	
	FY14	FY15	FY16	FY17	FY18	FY19	FY18	FY19
Balance Forward In	0	0	0	0	0	0	0	0
Receipts	4,105	4,669	4,411	7,032	6,002	6,087	6,002	6,087
Net Transfers	0	0	0	0	0	0	0	0
Expenditures	4,105	4,669	4,411	7,032	6,002	6,087	6,002	6,087
Balance Forward Out	0	0	0	0	0	0	0	0
<i>Biennial Change in Expenditures</i>				2,669		645		645
<i>Biennial % Change in Expenditures</i>				30		6		6
<i>Gov's Exp Change from Base</i>								0
<i>Gov's Exp % Change from Base</i>								0

5500 - MN.IT Services

	Actual	Actual	Actual	Estimate	Forecast Base		Governor's Recommendation	
	FY14	FY15	FY16	FY17	FY18	FY19	FY18	FY19
Balance Forward In	24,759	21,909	11,753	70,662	12,334	16,185	12,334	16,185
Receipts	143,974	215,980	345,639	455,935	457,781	436,305	457,781	436,305
Net Transfers	(2,662)	(7,571)	53,974	(60,045)	(28)	(28)	(28)	(28)
Expenditures	153,381	221,318	340,705	454,218	453,902	440,185	453,902	440,185

5500 - MN.IT Services

Balance Forward Out	12,690	9,000	70,662	12,334	16,185	12,277	16,185	12,277
<i>Biennial Change in Expenditures</i>				420,224		99,164		99,164
<i>Biennial % Change in Expenditures</i>				112		12		12
<i>Gov's Exp Change from Base</i>								0
<i>Gov's Exp % Change from Base</i>								0
Full-Time Equivalents	602.0	680.8	1,704.2	2,326.4	2,347.5	2,347.5	2,347.5	2,347.5

MN.IT Services

FY18-19 Biennial Budget Change Item

Change Item Title: Securing the State

Fiscal Impact (\$000s)	FY 2018	FY 2019	FY 2020	FY 2021
General Fund				
Expenditures	22,168	4,778	4,778	4,778
Revenues	0	0	0	0
Other Funds				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Net Fiscal Impact = (Expenditures – Revenues)	22,168	4,778	4,778	4,778
FTEs	18	18	18	18

Recommendation:

The Governor recommends \$22.168 million general fund budget increase in FY18 and a \$4.778 million increase each fiscal year thereafter to boost cybersecurity defenses. One-time funding will enable MN.IT to consolidate its data center footprint and build more robust, sustainable security into standard technology services. The ongoing portion of this initiative will allow MN.IT to hire more staff with specialized cybersecurity skills to perform monitoring, remediation, forensics and disaster recovery work. This request will also fund deployment of sophisticated software to combat increasingly complex hacker attacks and procure services for continuous security monitoring, penetration tests, and independent security audits.

Rationale/Background:

Entities in both the public and private sector face unprecedented cybersecurity challenges. Every day, attackers use increasingly sophisticated techniques to test the defenses of the State of Minnesota and other entities. The most recent Verizon Data Breach Investigation Report paints a very telling picture: cyber threats today are more numerous, more targeted, and more sophisticated. When hackers launch attacks, unmitigated vulnerabilities frequently lead to system compromises within minutes. And once breached, cascading compromises almost always occur within 24 hours. Organizations that are not advancing their cybersecurity programs are quickly losing ground to well-funded and highly skilled adversaries.

Recent reports by Deloitte Consulting and NASCIO concluded that most state government entities have not made appropriate cyber security investments, and therefore may not be up to the challenge. Government entities are now seeing an increase in embarrassing data breaches that erode citizens' confidence and cost significant dollars. A 2012 breach at the South Carolina Department of Revenue led to the loss of social security numbers and financial data for 3.8 million taxpayers and 1.9 million dependents (more than three-quarters of the state population). The breach has already cost South Carolina over \$25 million, with lawsuits continuing to unfold.

Minnesota state agency IT operations grew over time, with each agency managing its own data center operations and hosting environments. MN.IT Services inherited this distributed technology footprint, and the daunting challenge of securing an extremely vast attack surface with inconsistent controls, competing technologies and limited resources. This initiative will move the State forward by creating highly-secure hosting services that can be leveraged by all agencies, with a goal of being both better and more cost effective. This initiative also includes funding to acquire specialized security tools and migrate state agencies to secure datacenters.

Minnesota spends about 2% of its IT budget on cybersecurity, as opposed to 5% or more in the private sector and federal government civilian agencies. This initiative will help MN.IT improve its cybersecurity services and keep pace with advancing threats by increasing the percentage of the IT budget spent on cybersecurity to approximately 3% in FY18 and beyond.

Proposal:

The Governor proposes to leverage this increased general fund support to mitigate the risk of a successful cyber-attack through the following investments and activities:

Reduce the Attack Surface

- Consolidate the foundational elements of state agency IT operations (data centers, hosting environments) into a reduced “enterprise-level” footprint, reducing the risk portfolio and complexity of operations while achieving ROI on space and energy costs
- Integrate physical security, monitoring tools, and vulnerability management solutions into the enterprise environment

Reinforce and Equip the State’s Cyber-Security Team

- Develop System Security Plans for new systems under development
- Conduct ongoing security risk assessments of existing agency business systems
- Expand security awareness training for the state workforce
- Improve access management capabilities, including expanded oversight of people with powerful system administrator accounts
- Expand use of multifactor authentication
- Use independent assessors to confirm the adequacy of security controls
- Secure appropriate cyber insurance coverage for the Executive Branch
- Invest in and deploy advanced cybersecurity tools to detect security anomalies faster and mitigate the risk of distributed denial of service attacks
- Improve situational awareness and response times through around the clock monitoring
- Develop and perform ongoing tests of disaster recovery strategies

This request enables the acceleration of existing data center consolidation efforts, upgrades the State’s existing cybersecurity toolset, and adds 18 security professionals to the State’s enterprise cybersecurity team. The request would also fund the procurement of professional/technical services in the areas of monitoring, vulnerability management, incident response/forensics, risk and compliance, identity management, and state employee security training.

IT Related Proposals:

This request is for ongoing information technology staff support, as well as tools and services including infrastructure, hardware, software and training.

Results:

<i>Type of Measure</i>	<i>Name of Measure</i>	<i>Current</i>	<i>Target</i>
Quantity	Number of state data centers	28	6
Quality	Average vulnerability score for government computers	N/A	N/A

Change Item Title: Application Accessibility Assessment

Fiscal Impact (\$000s)	FY 2018	FY 2019	FY 2020	FY 2021
General Fund				
Expenditures	500	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)	500	0	0	0
FTEs	0	0	0	0

Recommendation:

The Governor recommends \$500,000 in FY 2018 from the General Fund to fund an external assessment of state agency technology applications to determine their level of accessibility when used by individuals with disabilities, as well as to fund the development of remediation plans for major IT systems. This work is not currently budgeted.

Rationale/Background:

In 1998, Congress amended the Rehabilitation Act of 1973 to require federal agencies to make their electronic and information technology accessible to people with disabilities. Minnesota Statutes 16E.03, Subd. 9, requires the State’s Chief Information Officer to develop accessibility standards applicable to technology, software and hardware procurement, incorporate section 508 of the Rehabilitation Act and Web Content Accessibility Guidelines 2.0 (“WCAG”) into those standards, and require state agencies to adhere to those standards unless an exception is approved. A refresh of Section 508 is expected to take effect in July of 2017 that will incorporate WCAG 2.0, Level AA into Section 508, further aligning state and federal standards.

When Minnesota’s 2011 IT consolidation law went into effect, MN.IT Services inherited support of a host of executive branch technology applications that were purchased, customized and/or developed with varying levels of accessibility for users with disabilities. Insufficient levels of accessibility create significant challenges for citizens and state employees with disabilities, who must regularly use executive branch technology applications to utilize government services or perform their work.

While relatively new technology applications are generally more accessible, older applications will require significant levels of investment in order to achieve compliance with technology accessibility standards through upgrade or replacement.

Proposal:

The Governor proposes \$500,000 to fund an external accessibility assessment of state agency technology applications and the development of remediation plans for major systems. Through such an assessment, future application upgrade or replacement can be prioritized based on relative levels of accessibility and the scope of the application’s use by citizens and state employees. An assessment will also help to inform state agency business leaders on options for remediation of systems that are used by a significant number of citizens or state employees. This assessment would be the first standardized, statewide assessment of application accessibility and would be led by MN.IT’s Chief Information Accessibility Officer, in partnership with all Minnesota state agencies. An RFP would be issued in the fall of 2017 and assessment work would be targeted to begin in early 2018.

Equity and Inclusion:

This proposal positively impacts individuals with disabilities by enabling the State to prioritize the upgrade or replacement of applications that are lacking in terms of accessibility, ultimately allowing individuals with disabilities to equally access state government services and state government employment opportunities.

IT Related Proposals:

This request includes funds for information technology professional/technical services but does not include IT project or development funds.

Results:

<i>Type of Measure</i>	<i>Name of Measure</i>	<i>Previous</i>	<i>Current</i>	<i>Dates</i>
Quantity	Number of applications assessed	N/A	N/A	
Quality	Percent of applications deemed sufficiently accessible	N/A	N/A	

MN.IT Services

FY18-19 Biennial Budget Change Item

Change Item Title: Cash Flow Assistance

Fiscal Impact (\$000s)	FY 2018	FY 2019	FY 2020	FY 2021
General Fund				
Expenditures	(110,000)	0	(110,000)	0
Revenues	110,000	0	110,000	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:

MNIT requests authorization of cash flow assistance of up to \$110 million for the 2018-2019 biennium and repayment with interest by the end of the fiscal year 2019 closing period.

Rationale/Background:

Cash Flow Assistance: 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 MNIT of up to \$110 million across fiscal years, within the biennium. (See Laws of 2013, Chapter 142, Article 1, Section 10.)

The assistance was authorized to address working capital needs due to a lengthy cash conversion cycle: the time between MNIT 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 60-90 days.

MN.IT is requesting the same cash flow assistance for the 2018-2019 biennium. There is no net cost impact to the general fund since this is a cash assistance that will be repaid with interest.

Proposal:

The proposed cash flow assistance of up to \$110 million for the next biennium has been requested in prior years. While this proposal relates to fiscal policy, it does not require any new appropriations. All funds will be returned to MMB on the approved date with interest. This proposal is needed to support MNIT as the sole IT procurement entity for executive branch agencies.

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):

The proposal does not require statutory changes.

MN.IT Services

FY18-19 Biennial Budget Change Item

Change Item Title: Operating Adjustment

Fiscal Impact (\$000s)	FY 2018	FY 2019	FY 2020	FY 2021
General Fund				
Expenditures	96	154	154	154
Revenues	0	0	0	0
Other Funds				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Net Fiscal Impact = (Expenditures – Revenues)	96	154	154	154
FTEs	0	0	0	0

Recommendation:

The Governor recommends additional funding of \$96,000 in FY2018 and \$154,000 each year following to maintain the current level of service delivery at Minnesota IT Services (MN.IT).

Rationale/Background:

Each year, employer-paid health care contributions, pension contributions, FICA and Medicare, along with other salary and compensation-related costs increase. Other operating costs, like rent and lease, fuel and utilities, and IT and legal services also grow. This cost growth puts pressure on agency operating budgets that remain flat from year to year.

Agencies face challenging decisions to manage these costs within existing budgets, while maintaining the services Minnesotans expect. From year to year, agencies find ways to become more efficient with existing resources. However, cost growth typically outstrips efficiencies, and without additional resources added to agency budgets, service delivery erodes.

MN.IT receives a very small fraction of its overall funding from the General Fund. However, services financed with General Fund appropriations, such as computer forensics, provide broad benefits to cities, counties, and other government entities that are outside MN.IT's executive branch customer base. As personnel and software costs rise, it has become increasingly difficult for MN.IT to provide the same level of service with a fixed General Fund appropriation. A base funding adjustment will help MN.IT continue important work, such as computer forensic assistance to other government entities in times of crisis.

Proposal:

The Governor recommends increasing agency operating budgets to maintain the delivery of current services. For MN.IT this funding will cover expected and anticipated employee compensation growth, including anticipated compensation increases and employer-paid pension costs.

Results:

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

Program: IT for Minnesota Government

Activity: IT Services

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AT A GLANCE

- Internal service fund consisting of enterprise and shared IT services provided to agencies through rates and by agencies via pass-through
- Data center management for 4 enterprise data centers
- Service desk and desktop support for 35,000 customers
- Enterprise communication/collaboration tools for 33,500 users
- MNET (Minnesota's Network for Enterprise Telecommunications)- the State network for education, local governments and agencies with 1,290 locations and 36 regional network hubs
- Local and long distance telephone service delivered by 70 different vendors to 100 customers

PURPOSE & CONTEXT

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

SERVICES PROVIDED

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
- Management of all enterprise and agency IT applications (development and support) and IT projects
- Client Computing (worker support): Service Desk, Mobile Device Management, Workstation Management
- Contracted Telecom Services: local and long distance voice services contracted through 3rd party telephone vendors
- Internet protocol (IP): the state's voice over internet phone system
- 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
- Enterprise Unified Communication and Collaboration (EUCC): email, instant messaging, SharePoint, video and voice conferencing

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:

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

- Combine individual agency SharePoint and other collaboration tools in order to leverage our investment in the cloud-based EUCC infrastructure.
- Embed security functionality and monitoring into enterprise infrastructure services such as hosting and storage.

RESULTS

<i>Type of Measure</i>	<i>Name of Measure</i>	<i>Previous</i>	<i>Current</i>	<i>Dates</i>
Quantity	Total data center space (square feet). Increased efficiency comes as a result of consolidating data centers into fewer square footage.	65,217	23,636	FY 2015, FY 2016
Quality	Digital State Survey by the Center for Digital Government, a review of all 50 states' electronic government capabilities	B+	B+	Sept 2014, Sept 2016
Quality	% of MN.IT services rated as 'Reasonable' to 'Best Value' vis a vis other states as determined by independent rates analysis study	77%	TBA	FY 2015 FY2016
Results	Customer Survey Results. Percent of respondents reporting they are 'Very Satisfied, Satisfied, or Somewhat Satisfied'.	97%	TBA	March 2014, Oct 2016
Results	State network core. On an annual basis, the percent of time the network is available to users.	99.99%	99.99%	FY 2015, FY 2016
Quantity	Disk capacity in PetaBytes (PB). Increase in capacity meets growth in demand for storage.	2,25 PB	2.5 PB	Jul 2014, Jul 2016
Quantity	Email mailboxes. Expanded capacity accommodates a greater number of users.	40,388	45,362	Jul 2014, Aug 2016

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

(Dollars in Thousands)

Expenditures By Fund

	Actual	Actual	Actual	Estimate	Forecast Base		Governor's Recommendation	
	FY14	FY15	FY16	FY17	FY18	FY19	FY18	FY19
5000 - Master Lease	4,105	4,669	4,411	7,032	6,002	6,087	6,002	6,087
5500 - MN.IT Services	153,381	221,318	340,705	454,218	453,902	440,185	453,902	440,185
Total	157,486	225,986	345,115	461,250	459,903	446,271	459,903	446,271
<i>Biennial Change</i>				422,893		99,809		99,809
<i>Biennial % Change</i>				110		12		12
<i>Governor's Change from Base</i>								0
<i>Governor's % Change from Base</i>								0

Expenditures by Category

Compensation	65,783	76,043	201,659	262,965	253,534	250,817	253,534	250,817
Operating Expenses	80,023	123,722	124,414	174,112	181,934	171,934	181,934	171,934
Other Financial Transactions	7,500	14,536	12,108	16,909	18,434	17,434	18,434	17,434
Grants, Aids and Subsidies	20	317	17	0	0	0	0	0
Capital Outlay-Real Property	4,160	11,368	6,917	7,264	6,002	6,087	6,002	6,087
Total	157,486	225,986	345,115	461,250	459,903	446,271	459,903	446,271
Total Agency Expenditures	157,486	225,986	345,115	461,250	459,903	446,271	459,903	446,271
Internal Billing Expenditures	0	0	0	23	20	20	20	20
Expenditures Less Internal Billing	157,486	225,986	345,115	461,227	459,883	446,251	459,883	446,251
<u>Full-Time Equivalents</u>	602.0	680.8	1,704.2	2,326.4	2,347.5	2,347.5	2,347.5	2,347.5

1000 - General

	Actual	Actual	Actual	Estimate	Forecast Base		Governor's Recommendation	
	FY14	FY15	FY16	FY17	FY18	FY19	FY18	FY19
Net Transfers				0	0	0	0	0

5000 - Master Lease

	Actual	Actual	Actual	Estimate	Forecast Base		Governor's Recommendation	
	FY14	FY15	FY16	FY17	FY18	FY19	FY18	FY19
Balance Forward In	0	0	0	0	0	0	0	0
Receipts	4,105	4,669	4,411	7,032	6,002	6,087	6,002	6,087
Net Transfers		0						
Expenditures	4,105	4,669	4,411	7,032	6,002	6,087	6,002	6,087
Balance Forward Out	0	0	0	0	0	0	0	0
<i>Biennial Change in Expenditures</i>				2,669		645		645
<i>Biennial % Change in Expenditures</i>				30		6		6
<i>Gov's Exp Change from Base</i>								0
<i>Gov's Exp % Change from Base</i>								0

5500 - MN.IT Services

	Actual	Actual	Actual	Estimate	Forecast Base		Governor's Recommendation	
	FY14	FY15	FY16	FY17	FY18	FY19	FY18	FY19
Balance Forward In	24,759	21,909	11,753	70,662	12,334	16,185	12,334	16,185
Receipts	143,974	215,980	345,639	455,935	457,781	436,305	457,781	436,305
Net Transfers	(2,662)	(7,571)	53,974	(60,045)	(28)	(28)	(28)	(28)
Expenditures	153,381	221,318	340,705	454,218	453,902	440,185	453,902	440,185
Balance Forward Out	12,690	9,000	70,662	12,334	16,185	12,277	16,185	12,277
<i>Biennial Change in Expenditures</i>				420,224		99,164		99,164
<i>Biennial % Change in Expenditures</i>				112		12		12
<i>Gov's Exp Change from Base</i>								0
<i>Gov's Exp % Change from Base</i>								0
Full-Time Equivalents	602.0	680.8	1,704.2	2,326.4	2,347.5	2,347.5	2,347.5	2,347.5

Program: IT for Minnesota Government

Activity: Projects & Initiatives

mn.gov/mnit/

AT A GLANCE

- MN.IT’s portfolio included 400 actively managed projects in FY16
- MN.IT’s project portfolio includes:
 - 7 biennial IT (BIT) projects requested by agencies and managed by MN.IT—\$3.6m in FY16
 - 103 agency-funded Information Technology Account (ITA) projects addressing specific agency needs—\$38.6M in FY16
 - 4 Telecommunications Access MN (TAM) projects addressing enterprise accessibility needs—\$34.8K in FY16
- BUY.IT establishes standards and negotiates enterprise software agreements

PURPOSE & CONTEXT

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

SERVICES PROVIDED

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

- Enterprise project and portfolio management, including creation of standards for project management, business analysis, and quality assurance
- Projects that stem from agency-contributed funds to the Information Technology Account (ITA)
- FY 2018-19 biennial IT (BIT) business application projects for agencies
- Special appropriation that addresses enterprise accessibility requirements-Telecommunications Access MN (TAM)
- BUY.IT group that negotiates software license agreements on behalf of the enterprise

RESULTS

<i>Type of Measure</i>	<i>Name of Measure</i>	<i>Previous</i>	<i>Current</i>	<i>Dates</i>
Quantity	Number of projects completed	100	241	FY 2013-14 FY 2015-16
Quality	Number of BIT / Odyssey projects initiated	15	28	FY 2015 FY 2016

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

(Dollars in Thousands)

Expenditures By Fund

	Actual	Actual	Actual	Estimate	Forecast Base		Governor's Recommendation	
	FY14	FY15	FY16	FY17	FY18	FY19	FY18	FY19
1000 - General	2,074	5,826	2,643	2,872	1,788	555	1,788	555
2000 - Restrict Misc Special Revenue	4,784	9,151	6,067	6,247	615	635	615	635
2001 - Other Misc Special Revenue	8,685	8,514	18,091	15,471	9,099	4,828	9,099	4,828
3000 - Federal	85	0	0	0	0	0	0	0
Total	15,628	23,490	26,802	24,590	11,501	6,018	11,501	6,018
<i>Biennial Change</i>				12,273		(33,872)		(33,872)
<i>Biennial % Change</i>				31		(66)		(66)
<i>Governor's Change from Base</i>								0
<i>Governor's % Change from Base</i>								0

Expenditures by Category

Compensation	1,415	3,240	4,143	3,748	2,562	3,012	2,562	3,012
Operating Expenses	13,392	19,509	21,401	20,510	8,920	2,985	8,920	2,985
Other Financial Transactions	789	619	921	111	2	3	2	3
Grants, Aids and Subsidies	0	0	0	36	18	18	18	18
Capital Outlay-Real Property	32	122	336	185	0	0	0	0
Total	15,628	23,490	26,802	24,590	11,501	6,018	11,501	6,018
<i>Full-Time Equivalents</i>	12.9	27.1	35.1	34.6	21.4	20.1	21.4	20.1

1000 - General

	Actual	Actual	Actual	Estimate	Forecast Base		Governor's Recommendation	
	FY14	FY15	FY16	FY17	FY18	FY19	FY18	FY19
Balance Forward In	0	7,123	4,807	2,899	1,232	0	1,232	0
Net Transfers	8,926	3,532	735	1,205	555	555	555	555
Cancellations	0	33	0	0	0	0	0	0
Expenditures	2,074	5,826	2,643	2,872	1,788	555	1,788	555
Balance Forward Out	6,852	4,796	2,899	1,232	0	0	0	0
<i>Biennial Change in Expenditures</i>				(2,384)		(3,173)		(3,173)
<i>Biennial % Change in Expenditures</i>				(30)		(58)		(58)
<i>Gov's Exp Change from Base</i>								0
<i>Gov's Exp % Change from Base</i>								0
Full-Time Equivalents	0.0	11.2	1.8	1.5	1.8	1.5	1.8	1.5

2000 - Restrict Misc Special Revenue

	Actual	Actual	Actual	Estimate	Forecast Base		Governor's Recommendation	
	FY14	FY15	FY16	FY17	FY18	FY19	FY18	FY19
Balance Forward In	5,517	11,430	13,699	7,972	2,065	1,790	2,065	1,790
Receipts	5,732	5,556	0	0	0	0	0	0
Net Transfers	3,270	3,092	340	340	340	340	340	340
Cancellations	0	21	0	0	0	0	0	0
Expenditures	4,784	9,151	6,067	6,247	615	635	615	635
Balance Forward Out	9,735	10,907	7,972	2,065	1,790	1,495	1,790	1,495
<i>Biennial Change in Expenditures</i>				(1,620)		(11,065)		(11,065)
<i>Biennial % Change in Expenditures</i>				(12)		(90)		(90)
<i>Gov's Exp Change from Base</i>								0
<i>Gov's Exp % Change from Base</i>								0
Full-Time Equivalents	3.4	4.8	6.6	6.6	2.0	2.0	2.0	2.0

2001 - Other Misc Special Revenue

	Actual	Actual	Actual	Estimate	Forecast Base		Governor's Recommendation	
	FY14	FY15	FY16	FY17	FY18	FY19	FY18	FY19
Balance Forward In	19,829	16,061	40,854	23,788	10,870	3,471	10,870	3,471
Receipts	4,525	2,690	2,712	2,551	1,700	1,700	1,700	1,700
Net Transfers	22	28,967	(1,686)					
Expenditures	8,685	8,514	18,091	15,471	9,099	4,828	9,099	4,828
Balance Forward Out	15,692	39,204	23,788	10,870	3,471	342	3,471	342

2001 - Other Misc Special Revenue

<i>Biennial Change in Expenditures</i>				16,363		(19,635)		(19,635)
<i>Biennial % Change in Expenditures</i>				95		(59)		(59)
<i>Gov's Exp Change from Base</i>								0
<i>Gov's Exp % Change from Base</i>								0
Full-Time Equivalents	9.1	11.0	26.7	26.6	17.6	16.6	17.6	16.6

3000 - Federal

	Actual		Actual	Estimate	Forecast Base		Governor's Recommendation	
	FY14	FY15			FY16	FY17	FY18	FY19
Receipts	85	0	0	0	0	0	0	0
Expenditures	85	0	0	0	0	0	0	0
<i>Biennial Change in Expenditures</i>				(85)				
<i>Biennial % Change in Expenditures</i>				(100)				
Full-Time Equivalents	0.4	0.0	0.0	0.0	0.0	0.0	0.0	0.0

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 consolidation 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 listed 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 priorities for the FY 2018-19 biennium are:

- Migrate all agency geospatial infrastructure to the new shared infrastructure (Minnesota Geospatial Commons)
- Deliver core security services to the executive branch as efficiently and effectively as possible by reorganizing staff and optimizing security service delivery processes
- Manage the migration of infrastructure from agency-based offices to enterprise services

RESULTS

<i>Type of Measure</i>	<i>Name of Measure</i>	<i>Previous</i>	<i>Current</i>	<i>Dates</i>
Quantity	IT Spend percent of total state expenditures. By comparison, Gartner, a marketing research firm, reported IT Spend (as a % of expenditures) for state/local government entities (greater than \$10B in expenditures) as follows: FY14, 2.25%; FY15, 2.1%.	1.56%	1.25%	FY15, FY16
Results	Annual customer survey-‘Very Satisfied/Satisfied/Somewhat Satisfied’	97%	TBA	March 2014, FY16
Quantity	Number of agencies contributing data to the Geospatial Commons	17	19	FY15, FY16

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

(Dollars in Thousands)

Expenditures By Fund

	Actual	Actual	Actual	Estimate	Forecast Base		Governor's Recommendation	
	FY14	FY15	FY16	FY17	FY18	FY19	FY18	FY19
1000 - General	2,281	2,371	2,152	2,946	2,597	2,597	25,361	7,529
Total	2,281	2,371	2,152	2,946	2,597	2,597	25,361	7,529
<i>Biennial Change</i>				446		96		27,792
<i>Biennial % Change</i>				10		2		545
<i>Governor's Change from Base</i>								27,696
<i>Governor's % Change from Base</i>								533

Expenditures by Category

Compensation	1,817	1,957	1,753	1,999	1,976	1,976	4,197	4,255
Operating Expenses	420	409	397	945	620	620	21,163	3,273
Other Financial Transactions	44	5	2	2	1	1	1	1
Grants, Aids and Subsidies	0	0	0	0	0	0	0	0
Total	2,281	2,371	2,152	2,946	2,597	2,597	25,361	7,529
<u>Full-Time Equivalents</u>	15.9	15.7	14.0	15.9	15.0	15.0	33.0	33.0

1000 - General

	Actual	Actual	Actual	Estimate	Forecast Base		Governor's Recommendation	
	FY14	FY15	FY16	FY17	FY18	FY19	FY18	FY19
Balance Forward In	0	207	0	349	0	0	0	0
Direct Appropriation	2,431	2,431	2,526	2,622	2,622	2,622	25,386	7,554
Net Transfers	(29)	(235)	(25)	(25)	(25)	(25)	(25)	(25)
Cancellations	0	32	0	0	0	0	0	0
Expenditures	2,281	2,371	2,152	2,946	2,597	2,597	25,361	7,529
Balance Forward Out	121	0	349	0	0	0	0	0
<i>Biennial Change in Expenditures</i>				446		96		27,792
<i>Biennial % Change in Expenditures</i>				10		2		545
<i>Gov's Exp Change from Base</i>								27,696
<i>Gov's Exp % Change from Base</i>								533
Full-Time Equivalents	15.9	15.7	14.0	15.9	15.0	15.0	33.0	33.0

**MN.IT Services
IT Services
ENTERPRISE TECHNOLOGY FUND (5500)
Revenues, Expenses and Changes in Net Assets
(Dollars displayed in Thousands)**

	Actual 2016	Projected 2017	Projected 2018	Projected 2019
Operating Revenues:				
Net Sales	346,960	455,935	457,781	436,305
Rental and Service Fees				
Insurance Premiums				
Other Income				
Total Operating Revenues	346,960	455,935	457,781	436,305
Gross Margin	346,960	455,935	457,781	436,305
Operating Expenses:				
Purchased Services	112,721	145,452	151,228	141,228
Salaries and Fringe Benefits	211,183	262,686	253,534	250,817
Claims				
Depreciation and Amortization	9,381	7,475	6,149	6,149
Repairs and Maintenance	6,936	14,630	10,027	10,027
Supplies and Materials	11,495	18,670	27,895	27,895
Indirect Costs	1,038	1,457	1,417	1,417
Other Expenses	34			
Total Operating Expenses	352,788	450,370	450,250	437,533
Operating Income (Loss)	-5,828	5,565	7,531	-1,228
Nonoperating Revenues (Expenses):				
Investment Income	80			
Interest and Financing Costs	-436	-355	-651	-651
Other Nonoperating Expenses	-2,454	-3,750	-3,000	-2,000
Gain (Loss) on Disposal of Capital Assets				
Total Nonoperating Revenues (Expenses)	-2,810	-4,105	-3,651	-2,651
Income (Loss) Before Transfers and Contributions	-8,638	1,460	3,880	-3,879
Capital Contributions				
Transfers in	0	0	0	0
Transfers out	-24	0	-28	-28
Change in Net Assets	-8,662	1,460	3,852	-3,907
Net Assets, Beginning as Reported	11,751	3,089	4,550	8,401
Net Assets, Ending	3,089	4,549	8,402	4,494
Rate increase/(decrease)				
Full Time Equivalent	1,704	2,327	2,348	2,348

* Pension Expense is excluded

MN.IT Services
IT Services
ENTERPRISE TECHNOLOGY FUND (5500)
Net Assets
(Dollars in Thousands)

	Actual 2016	Projected 2017
ASSETS		
Current Assets:		
Cash and Cash Equivalents	13,539,000	28,177,233
Investments		
Accounts Receivable	88,423,000	109,381,534
Accrued Investment/Interest Income		
Inventories		
Prepaid Expenses	13,786,000	15,786,000
Total Current Assets	<u>115,748,000</u>	<u>153,344,767</u>
Noncurrent Assets:		
Prepaid Expenses	1,149,000	1,809,938
Nondepreciable Capital Assets	13,465,000	20,051,000
Depreciable Capital Assets (Net)	22,055,000	20,975,577
Total Noncurrent Assets	<u>36,669,000</u>	<u>42,836,515</u>
Total Assets	152,417,000	196,181,282
Deferred Pension Outflows		
LIABILITIES		
Current Liabilities:		
Accounts Payable	22,022,000	28,136,238
Interfund Payables	60,017,000	97,667,793
Unearned Revenue	32,992,000	32,992,000
Loans Payable	5,101,000	5,101,000
Compensated Absences Payable	2,506,000	2,506,000
Total Current Liabilities		
	<u>122,638,000</u>	<u>166,403,031</u>
Noncurrent Liabilities:		
Loans Payable	4,867,000	4,867,000
Compensated Absences Payable	21,155,000	21,155,000
Other Liabilities	667,000	667,000
Total Noncurrent Liabilities	<u>26,689,000</u>	<u>26,689,000</u>
Total Liabilities	<u>149,327,000</u>	<u>193,092,031</u>
Deferred Pension Inflows		
NET ASSETS		
Invested in Capital Assets, Net of Related Debt	25,552,000	31,058,577
Unrestricted	<u>(21,795,000)</u>	<u>(34,816,326)</u>
Total Net Assets	<u><u>3,089,252</u></u>	<u><u>3,089,252</u></u>

**MN.IT Services
IT Services
ENTERPRISE TECHNOLOGY FUND (5500)
Brief Narrative**

Background:

MN.IT Services (Fund 5500) operates as an internal service fund and provides enterprise IT services (central services) and agency based IT services (agency services) 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 2015 (Regular Session), Chapter 77, Article 1, Section 10 authorizes MMB to provide cash flow authority of up to 110 million to MNIT. Of this MNIT has borrowed 97.7 million that will be repaid with interest by the end of FY17 close period.

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

Various IT investments are proposed in Datacenter consolidation, Security and upgrades to Hosting environments(mainframe and server)

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

In FY2016 Net Assets decreased from \$12 million to \$3 million primarily due to the increase in compensated absence liability and expense as a result of additional personnel transitioning to MNIT from other agencies due to IT consolidation. It is projected that change to net assets for FY18-19 biennium will be minimal as a result of rebalancing of rates and completion of financial IT consolidation.

Explain any reasons for rate changes:

MNIT has been in the process of rebalancing its rates starting in FY16 and continuing through FY19. As a result rates for some IT services will increase and other services will decrease. Services that have been underrecovering will see a rate increase and vice versa. The net impact to MNIT's service portfolio is minimal.

Impact of rate changes on affected agencies:

Agencies will be impacted depending on the services they consume. Some agencies will benefit from the rate reductions and other agencies will see increases in their IT spending. MNIT has communicated with individual agencies about the proposed FY18-19 rate and has provided a rate change impact analysis early enough to accommodate the possible submission of biennial change item requests or adjustments to service levels if necessary. MMB officially approved the proposed FY18-19 enterprise service rates on November 23, 2016 and will be effective July 1, 2017.