



April 4, 2018

Senator Mary Kiffmeyer
Chair, State Government Finance
Minnesota Senate
95 University Ave W.
Saint Paul, MN 55155

Senator Kiffmeyer,

I write to dispel some misunderstanding that has surfaced related to recent media reports on office space reconfigurations and cubicle replacement at Minnesota IT Services. First, I want to ensure it is clear that under no scenario would it be permissible for MNIT to fund the MNLARS IT project utilizing the funding mechanism employed for these office space and equipment changes.

As you know, when the Legislature passed the IT consolidation law in 2011, it transferred all state agency IT staff to MNIT and mandated that MNIT be responsible for providing or entering into service contracts for all IT services to state agencies in the executive branch. As you also know, since that time, funding for state agency IT operations has continued to be appropriated directly to state agencies. Agencies then procure IT services, staff and tools from MNIT under a fee-for-service model that includes a mix of centralized (consolidated) services and de-centralized (agency-based) services. While no funding was provided by the legislature to carry out this consolidation of IT services, we have worked incrementally over time to implement the law by building out these common, centralized service lines – ultimately saving taxpayer dollars and reducing duplication by ensuring services like desktop computer services or email are delivered the same way to all agencies.

For those services that have been centralized, the cost of providing that service is recouped through the MNIT rate package. Under state and federal laws and regulations, MNIT can only charge for the costs of providing services to agencies. We cannot make profit off the services we provide. And we cannot use revenue from these rate-based centralized services to fund a system development project like MNLARS that only serves one state agency. That would be akin to overcharging the Department of Education (or any other agency) in order to fund an IT project that only benefits a wholly separate agency.

The office space reconfiguration work referenced in the KSTP story where you were interviewed is work that is ultimately funded through MNIT's centralized service rate package. MNIT is leveraging a master lease program run through MMB that allows agencies to pay over time for depreciable assets. The assets being purchased in this case are new cubicles that are two-thirds the size of our existing cubicles. This investment is necessary

658 Cedar Street, St. Paul, MN 55155

because space pressure in other agency offices requires that we relocate MNIT employees who are currently working within other agencies' space to deliver those centralized IT services. Moreover, it is ultimately ideal for the teams who are delivering a particular line of centralized service to be housed together in a shared space. Rather than lease additional space, we opted to increase the density of staff in our Centennial Office Building space by reducing cubicle size.

Investments of this type reflect ongoing operational costs that must be incurred in order to effectively support our agency partners and deliver centralized IT services, as mandated by the Legislature. The cost of this reconfiguration work will be recouped over time through the rates charged to all agencies for centralized IT services through the federally-approved MNIT rate package. The decision to increase density was made by doing a cost analysis based upon the total long-term cost of occupancy, including costs of moving, the state share of tenant improvements, rent, and escalation over the term of the lease. Based on this analysis, we estimate that the decision to reconfigure our current space will yield \$462,000 per year in cost avoidance for the foreseeable future.

It causes me great concern that legislators would be under the impression that MNIT was coming to the Legislature alongside our partners at the Department of Public Safety asking for funds to continue developing and improving the MNLARS system while we had funds available for office space reconfiguration that could have enabled continued work on MNLARS. I hope my letter has made clear that this is not in fact the case.

When I took the role of MNIT Commissioner, I made it clear that MNLARS would be a top priority. But MNLARS is only one of roughly 370 IT projects that are ongoing in the executive branch. And in addition to these projects, we provide centralized, operational IT services to over 70 agencies, boards and commissions. So, while righting the IT ship on MNLARS remains a top priority, our work to improve the efficiency and quality of the IT services we provide to all agencies through implementation of the IT consolidation law must continue during this time. That responsibility – to deliver IT to our state government as effectively and efficiently as possible – is something I take very seriously, and I look forward to working with you and other members of the Minnesota Legislature to fulfill that responsibility in the weeks and months ahead.

Please let me know if I can provide any additional information on this or any other issue.

Sincerely,

A handwritten signature in blue ink that reads "Johanna P. Clyborne". The signature is written in a cursive, flowing style.

Johanna Clyborne
Commissioner and State Chief Information Officer
Minnesota IT Services