



April 11, 2019

Representative Michael Nelson, Chair
House State Government Finance Committee
585 State Office Building
Saint Paul, MN 55155

Dear Chair Nelson

On behalf of Minnesota Management and Budget, thank you for your work over the past several months on the state government budget area and for the omnibus budget bill you have crafted with the assistance of your colleagues and staff. Please allow me the opportunity to provide feedback on provisions within the bill that effect and direct the work done at Minnesota Management and Budget (MMB).

As you know, MMB is a state government support agency that is statutorily directed to provide information, analysis, and coordination of government services. With only approximately 250 employees, MMB coordinates the Governor's budget process and submission, creates budget and economic forecasts, manages the state's public debt, is responsible for the state's accounting system, and provides the enterprise with human resources support such as state wide policy directives, group insurance administration, and labor contract negotiations.

We greatly appreciate your inclusion of several of the Governor's budget proposals. If funded by the legislature, these proposals will help the state be more effective and efficient.

State Workforce Investments

We appreciate the inclusion of resources to support efforts to attract, hire, retain, and support the best workforce, which is responsible for delivering critical services to all Minnesotans.

The state competes for top talent in a tightening labor market and an aging demographic. As a result, we need to be innovative in our employment practices. With state unemployment at about 3 percent, the job market is extremely competitive and it is increasingly difficult to attract and retain the workforce needed to maintain the services that Minnesotans depend upon. The Executive Branch has been losing about 1,000 employees to retirement annually since FY 2013 and this trend will continue. Turnover is disruptive and expensive; it can cost 100% of an annual salary to replace an employee.

As you know, the Governor and Lt. Governor have requested funds to support the development and implementation of proactive diversity, equity, and inclusion programs as well as provide strategic guidance, comprehensive analysis, and coordinated direction across the enterprise. Thank you for supporting this important initiative.

Statewide Systems

The Governor requested one-time funding in FY 2020 for MMB enterprise systems. Of this request, \$2 million is to address the cost of maintenance upgrades to MMB-operated enterprise systems. These upgrades represent the new baseline required for us to continue to receive support from the vendor.

The remaining funds will replace out-of-support hardware and purchase disaster recovery hardware, and will be used to conduct a study of our enterprise systems, the results of which will be used to develop a sustainable long-term funding plan as recommended by the Office of the Legislative Auditor.

Minnesota Management and Budget's (MMB) enterprise systems are used by all state agencies to manage day-to-day business activities such as accounting, budgeting, procurement, reporting, and payroll. Without these systems, agencies would be impeded in their ability to deliver services to Minnesotans. Maintenance of these systems is essential to MMB's core functions. Thank you for recognizing the importance of this request.

Enhanced Results Analysis for Decision-Making

The Results Management unit in the Budget Division at MMB is tasked with collecting research and providing analysis on programs and tracking progress related to outcomes for the people of Minnesota.

The Governor and Lt. Governor are proposing to expand the results management work so that we can provide even more data-driven information to better inform the policy making process.

If signed in to law, your bill fund additional capacity for the Results team to collect and analyze new data and collaborate with the producers of useful data to give policy makers access to concise but comprehensive information on the challenges they are addressing. The work will provide information about:

- Status of key outcomes for Minnesotans
- The effectiveness of current policies and investments
- Opportunities to improve outcomes.
- Opportunities to enhance collaboration

This type of results driven analysis is what the legislature expects of us, so we appreciate your willingness to invest in the research.

Minnesota Law Enforcement Association Contract

Thank you for including the ratification for the recently negotiated Minnesota Law Enforcement Association (MLEA) contract. The MLEA represents approximately 745 state patrol officers, conservation officers, special agents, fugitive specialists, and commerce insurance fraud specialists. If approved by the legislature, the contract calls for a 2% across the board salary increase effective July 1, 2017 and an across the board increase of 2.25% effective July 1, 2018.

Carry Forward

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Unfortunately, the bill does not contain the Governor's requested carry forward authority. As Commissioner Bauerly testified before your committee, if the executive branch were authorized to have the same carry forward authority the legislature currently possess, we could do a better job of long term-planning. We look forward to having a conversation with the legislature on this piece as the budget process continues.

Professional and Technical Contracts Limited

As we testified in committee, the provision regarding the limitation of professional and technical contracts is of concern to us. Agencies across the enterprise use professional and technical contracting for a variety of reasons when that approach best fits the situation. We are concerned that attempts to limit the use of contracting when needed may have an impact on the work that is expected from state agencies.

Gainsharing

We appreciate the inclusion of language to attempt to make the gainsharing statute workable. The existing statute is in conflict with other laws and existing budget timelines which hinders its implementation. Additionally, as we have testified to in the past, the program is not workable without the necessary resources needed to implement. So, while we view this as a step in the right direction – and we are deeply appreciative of the Chair's interest in working with us on this subject – in the absence of resources it will be difficult to move this program forward.

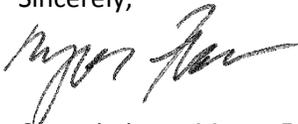
Payment Modernization Language

Finally, thank you for including the technical fixes to the state payment statutes.

Once again, we appreciate the inclusion of several of the Governor and Lt. Governor's priorities that are designed to reduce risk, make state government more effective, and deliver the services the public is requesting. Compared to the Senate bill, this bill makes strategic investments in areas that will improve outcomes and efficiencies across all of state government.

We look forward to working with you on the bill as it moves through the budget setting process. As always, if we can be of assistance in the budget process, please let us know.

Sincerely,



Commissioner Myron Frans

Cc: Rep. Tony Albright