



May 7, 2022

Senator Mary Kiffmeyer, Chair
Senate State Government Finance, Policy and Elections
3103 Minnesota Senate Bldg.
St. Paul, MN 55155

Representative Michael Nelson, Chair
House State Government Finance and Elections
585 State Office Building
St. Paul, MN 55155

RE: HF 4293 Omnibus State Government and Elections, Veterans, Pensions and Transportation Finance Bill

Chairs Kiffmeyer and Nelson and members of the Conference Committee on HF 4293:

I am writing today to provide feedback on House File 4293, the Omnibus State Government and Elections, Veterans, Pensions, and Transportation Finance bill, with a focus on the sections of the bill pertaining to Minnesota Management and Budget (MMB).

At MMB, we are stewards of the state's financial and human resources, delivering effective services for the people of Minnesota. Our agency is responsible for managing state finances, payroll, human resources, and employee insurance. We also provide the IT systems for the state's daily business operations and for information access and analysis. MMB is a central service agency, with about 260 employees who serve the Governor, the Legislature, more than 100 state government agencies, a workforce of 56,000 employees, and the public.

Governor Recommendations in HF 4293

First, I am happy to see the House proposal adopts the Governor's recommendation to address the critical funding shortfall for the IT systems MMB manages and supports that make up the state's **Enterprise Resource Planning (ERP)** technology. Employees in all three branches of state government use these IT systems for their essential day-to-day operations, including accounting, procurement, data reporting, payroll, human resource management, recruiting, and employee benefits and learning. It costs MMB \$22 million each year to maintain, operate, and enhance the state's ERP systems.

These critical systems do not have a sustainable funding solution. Under statute, there is only one dedicated funding source, the Statewide Systems Account, and MMB currently is authorized to bill state agencies only \$10 million annually. The funding provided in this bill addresses a key finding from the Office of the Legislative Auditor in their 2018 report—that MMB and the Legislature have a shared responsibility to find a sustainable funding solution. It is imperative that this recommendation, which will allow MMB to stabilize, secure, and sustain these at-risk systems, is included in the conference agreement. The funding provides a critical path forward on the development of new ERP IT solutions into the future.

Beyond the proposal to stabilize and sustain our ERP system, the Governor put forward other recommendations to advance and enhance MMB's ability to serve Minnesotans that are included in the House proposal. These proposals include:

- *Evaluating the Impact of State Investments*, which provides the personnel necessary to conduct rigorous evaluations of new or innovative projects and help determine whether state investments are effective in achieving desirable outcomes. In conducting these evaluations, the team will work with stakeholders to identify projects, design program delivery, set up data collection procedures, complete the evaluations, and report findings to the Governor and Legislature. This proposal expands on MMB's nation-leading work that has been supported on a bipartisan basis.
- *Cross-Agency Coordination of the Children's Cabinet*, which provides coordination across agencies on issues impacting children, including education strategies from birth onward, parent strategies, mental health, older youth, community and family supports, childcare, and workforce and caring professions in child-settings.
- *Capital Budget Outreach and Assistance*, which increases MMB's capacity to provide technical assistance to communities and non-profits that have traditionally not participated in the state capital budget process. Further, this recommendation will allow MMB to proactively raise awareness about the capital budget and the requirements associated with applying for and receiving capital budget funding.
- *Collateral Modernization*, which allows banks to use lines of credit, which function like insurance, as collateral to compete for the state's banking business. Banks already have this option when serving local governments.
- *Housing Trust Fund Transfers*, which streamline government services by moving the revenue collection responsibilities for the Housing Trust Fund account and the Manufactured Home Relocation Trust Fund account from MMB to the Minnesota Housing Finance Agency, the agency where the programs funded from these accounts are managed.

This bill also includes the *Military Pay Differential* provision which clarifies payment procedures for employees in reserve forces who report to active service. These service members are paid the difference between their state pay and active service pay. This bill also makes sure that service members previously overpaid in error do not need to repay those funds to the state. I would like to thank Chair Nelson for including this language in his committee's bill and Sen. Kiffmeyer for amending this language into SF 4233.

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I would like to register strong objections to three portions of the Senate's bill:

- The first concern regards what is or is not permissible to address when negotiating wages with law enforcement. The language would amend the State's compensation statute, MS 43A.17, for just one specific group of employees, law enforcement employees, so that MMB would be acting in "bad faith" in the collective bargaining negotiations process by using pattern bargaining.

I want to be clear that our concerns are not related to troopers or the law enforcement bargaining unit. Like other state employees, troopers have been called upon for extraordinary service and we appreciate the need to recognize that. We do, however, have concerns about how that recognition is put into law.

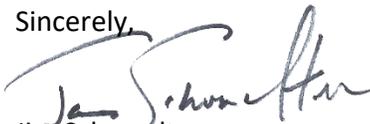
One of the primary concerns is that defining “bad faith” in this way can weaken our bargaining position not only for this group of employees, but also for the other 31,000 employees with whom we negotiate. Opening the door to a broad definition of “bad faith” to include processes and discussions that are widely used and necessary to maintain equitable compensation relationships will create lasting damage.

- The second concern is that the proposal to expand the authority of the Legislative Budget Office (LBO) was added as an amendment in the Senate Finance Committee without a hearing this session so we had no opportunity to share our considerations. First, MMB budget staff, who play a crucial role in maintaining the state’s financial integrity, should not be prohibited from being involved in the preparation of unofficial fiscal notes. Second, the bill provides the LBO mandated access to state employees. The relationship between the LBO and state agencies is critical to complete fiscal notes; however, the proposal to permit access to subject matter experts within state agencies should be built on a working relationship and not mandated by statute. Mandated access to people and data too greatly expands the authority of the LBO.
- Finally, in the transportation section of the bill an amendment was added to have MMB provide a report regarding alternative methods of selecting members of the Metropolitan Council. The language raises many questions regarding how such a study would be done. It is not an area of expertise for MMB nor is funding provided to undertake such a study.

I look forward to working with you in the coming days as the conference committee meets and debates issues. MMB staff and I are available to assist you, Conference Committee members, and staff to achieve our shared objective: serving the people of Minnesota.

Thank you.

Sincerely,

A handwritten signature in black ink, appearing to read "Jim Schowalter". The signature is fluid and cursive, with a large initial "J" and "S".

Jim Schowalter
Commissioner