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⇒ Designates that this item is a change item

Agency Purpose

The mission of the Office of Enterprise Technology (OET) is to provide the leadership and services that improve government through the effective use of information technology. OET has broad statutory authority (16E.01) to establish state information technology (IT) direction and policy, to provide services, and to manage and direct state IT resources.

At a Glance

Technology Management

Provides day-to-day operations for the technical services OET delivers:

- Private state IP network (MNET) and new, single enterprise email system
- Data center for critical state business applications
- State-wide local and long distance network

Planning & Management

Manages the strategic IT planning and governance for the state:

- Improved strategic planning processes
- Internal reorganization to improve services
- A two-year tactical plan to implement seven key enterprise initiatives

Technology Development

Develops new technologies and applications that provide improved citizen-facing government services:

- State website and electronic licensing web portal
- Aggregated purchasing program for IT hardware, enterprise software licenses, and professional services

Security Management

Coordinates all state government information technology security standards and policies, and provides enterprise security services:

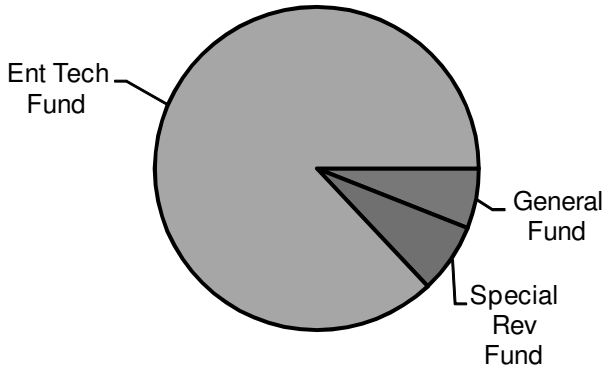
- Intrusion detection and vulnerability scanning of state computers
- Published state security policies and standards

Customer and Service Management

Manages the customer relationship and the service management life cycle of all OET services:

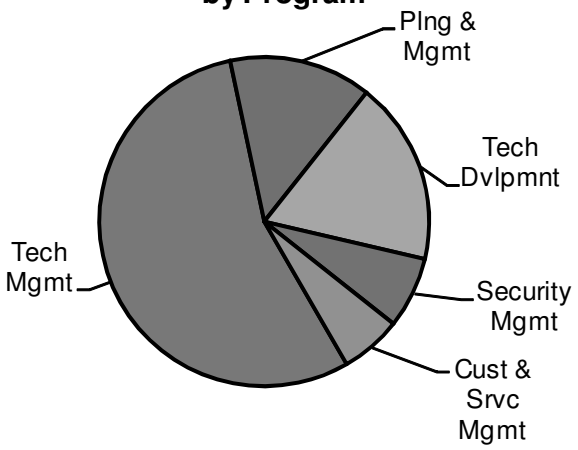
- New Client Relationship Management function
- 24X7 single point of contact (SPOC) Service Desk
- Improved online catalog (MN.IT)
- Functions to manage OET service lifecycles and leverage industry best practices for IT process management

Est. FY 2010-11 Expenditures by Fund



Source: Consolidated Fund Statement.

Est. FY 2010-11 Expenditures by Program



Source: OET's Financial Information

Strategies

OET's Strategic Plan outlines strategies to further the mission of the organization:

- Transform OET to be a provider of choice, with the resources, skills, processes, and tools to provide high-quality enterprise leadership and cost-effective technical services.
- Rebuild our customer-facing processes and channels of communication. Reevaluate and redefine our current service catalog to be competitive, marketable, and responsive to customer need, eliminating services that are not cost-effective and/or of high quality.
- Improve financial systems to provide clarity for our customers and better decision-making for OET, and allow us to manage to a bottom line.
- Advance a limited number of new high-priority services for which there is sufficient customer and financial support to be sustainable.
- Manage effective internal and external IT governance in order to serve the best interests of the State. Governance activities include strategic service consolidation, the continued setting of architecture and IT standards, and the promotion of a strong enterprise security program.

In keeping with OET's mission to improve governance and focus on high-priority and high-yield service development and centralization activities, OET developed its Minnesota iGov plan. iGov is a two-year tactical plan to implement seven key enterprise initiatives, including the management of those initiatives and their governance:

- iGov Initiative I: Standards and Enterprise Asset Procurement
- iGov Initiative II: Architecture
- iGov Initiative III: Project and Portfolio Management
- iGov Initiative IV: Information Security Tools
- iGov Initiative V: Unified Communication and Collaboration (UCC)
- iGov Initiative VI: e-Licensing
- iGov Initiative VII: Data Center Facilities and Operations

The strategies and outcomes are further defined through priority activities, as reported in the agency's program areas. The Minnesota iGov plan and regular updates are provided on the OET website.

Operations

OET delivers services to state agencies and the citizens of Minnesota through five different program areas:

- Technology Management - Provides day-to-day operations for the delivery of OET technical services
- Planning & Management - Manages the strategic IT planning and governance for the State and the operational and financial management of the Office of Technology
- Technology Development - Develops new technologies and applications in a manner that ensures their effective operation and improves Minnesota's ability to provide citizen-facing government services
- Security Management - Coordinates all state government information technology security standards and policies, and provides security services that cannot be performed cost effectively by individual units of government
- Customer & Service Management - Manages the customer relationship and the service management life cycle of all shared and utility services provided by OET.

Current OET customers include state agencies and constitutional offices, courts, public school systems and higher education institutions, local political subdivisions of the state, and the citizens of Minnesota served by these government entities. OET works with other agencies by charging technology service rates, developing interagency agreements for collaborative partnerships or shared utility / common functions, sharing loaned agency staff, and leveraging resources for enterprise IT savings.

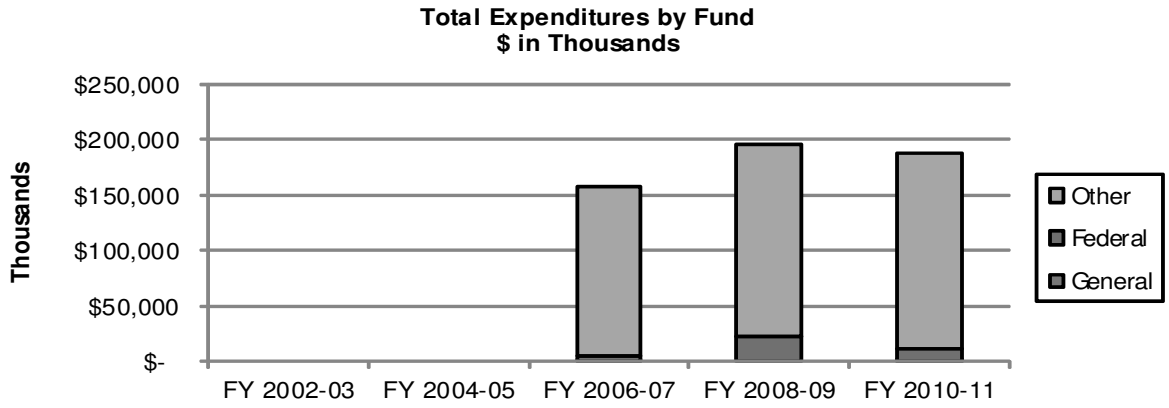
In 2008, OET embarked on a significant "Change Plan" designed to reorganize the agency into function areas more suited to manage industry-standard services and processes and more flexible and capable of scaling up appropriately to deliver shared and utility services to a larger customer base. The changes included the creation of a Customer and Service Management Program, the creation of a Service Desk as the point of contact to

handle and manage all requests and incidents, the implementation of industry best practices for information technology service delivery processes, improved internal organizational governance and decision-making, and the creation of new service life-cycle management and cost-modeling processes.

In the transformation of the OET organization, the department has placed a stronger emphasis on cost and consumption used for allocation of expenses and value-adding services to better align services with ongoing customer needs, with the goal of becoming more citizen-centric. OET is also in the process of developing service metrics and service level agreements for all services. OET has redefined or resized processes and organizations, is looking at appropriate sourcing strategies, and has retired services that are not competitive or for which no real market has emerged. A number of factors were considered in this retirement process, including customer impact, availability of alternative solutions, and the historical financial performance of the services.

Budget Trends

The graph below shows OET's funding levels going back to 2006 when the agency was created.



** FY 2010-11 is estimated, not actual*
Source data for the previous chart is the Minnesota Accounting and Procurement System (MAPS) as of 08/05/2010 and projected expenses based on FY2011 budget.

Establishing viable financial model for financing shared and utility services, emerging services, infrastructure services, key enterprise strategic initiatives or system modernizations within the federated model of service delivery has been challenging and remains unresolved. As customers in shared or utility services based on traditional technology migrate to distributed platforms or other new technologies, there is a smaller pool of customers to share the fixed costs of the traditional service. Accordingly, cost recovery rates for the traditional service may need to gradually increase as part of a service migration/retirement strategy. Cash flow (inflow and outflow) and cash balance continue to be an area of focus since OET must maintain sufficient levels to manage its minimum daily operational cash flow requirements. Also, retained earnings are higher than a reasonable level of working capital reserve, which may result in contingent federal repayment.

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ENTERPRISE TECHNOLOGY OFFICE
Enterprise Technology Revolving Fund
Fund 970

Internal Service Fund
Financial Statement

2012-13 BIENNIAL BUDGET
(DOLLARS IN THOUSANDS)

	* Operations Data*			
	ACTUAL FY 2010	PROJECTED FY 2011	PROJECTED FY 2012	PROJECTED FY 2013
OPERATING REVENUES:				
NET SALES	84,341.8	89,038.7	92,801.0	94,383.0
LESS: COST OF SALES				
GROSS PROFIT ON SALES	84,341.8	89,038.7	92,801.0	94,383.0
OTHER REVENUE	581.9	854.0	854.0	854.0
NET REVENUES	84,923.7	89,892.7	93,655.0	95,237.0
LESS: OPERATING EXPENSES:				
SALARIES	30,231.6	31,513.0	31,415.0	32,024.0
SUPPLIES & EXPENSES	48,466.4	51,156.9	57,320.0	59,605.0
INDIRECT COSTS	136.2	500.0	500.0	750.0
AMORTIZATION & DEPRECIATION	4,797.8	3,972.5	3,260.0	2,698.0
TOTAL OPERATING EXPENSES	83,632.0	87,142.4	92,495.0	95,077.0
OPERATING INCOME (LOSS)	1,291.7	2,750.3	1,160.0	160.0
NON-OPERATING REVENUES (EXPENSES)	(103.6)	(2,484.5)	(1,160.0)	(160.0)
UNUSUAL ITEM	0.0	0.0	0.0	0.0
NET INCOME (LOSS) BEFORE CONTRIBUTIONS	1,188.1	265.8	0.0	0.0
CAPITAL CONTRIBUTION	0.0	0.0	0.0	0.0
CHANGE IN NET ASSETS	1,188.1	265.8	0.0	0.0
BEGINNING RETAINED EARNINGS	17,851.4	17,926.8	18,192.6	18,192.6
ADJUSTMENT TO NET ASSETS	(1,112.7)	0.0	0.0	0.0
CHANGE IN ACCOUNTING PRINCIPLE		0.0	0.0	0.0
ENDING RETAINED EARNINGS	17,926.8	18,192.6	18,192.6	18,192.6
RATE INCREASE/(DECREASE):				
OET WEIGHTED OVERALL	-5.25%	-3.79%	0.00%	0.00%
FTE	343.4	307.8	308.3	307.5

ENTERPRISE TECHNOLOGY OFFICE
Enterprise Technology Revolving Fund
Fund 970

Internal Service Fund
Financial Statement

2012-13 BIENNIAL BUDGET
(DOLLARS IN THOUSANDS)

	* Operations Data*			
	ACTUAL FY 2010	PROJECTED FY 2011	PROJECTED FY 2012	PROJECTED FY 2013
Expenditure Reconciliation to BBS				
Operating Expenses			92,495.0	95,077.0
Less amortization & depreciation (non cash)			(3,260.0)	(2,698.0)
Plus interest expenses from Non-operating revenue/expenses			1,235.0	235.0
Plus capital asset purchases, prepaids and master lease payments			3,260.0	2,698.0
Total cash payments			93,730.0	95,312.0
BBS Amounts - Financing by Fund (970)				
Technology Management			54,359	56,070
Planning and Management			12,851	12,535
Technology Development			15,897	16,362
Security Management			3,352	2,898
Customer and Service Management			7,271	7,447
Total BBS payments			93,730	95,312

Dollars in Thousands

	Current		Governor Recomm.		Biennium
	FY2010	FY2011	FY2012	FY2013	2012-13
Direct Appropriations by Fund					
General					
Current Appropriation	5,517	5,459	5,459	5,459	10,918
Recommended	**5,517**	**5,459**	**5,181**	**5,181**	**10,362**
Change		0	(278)	(278)	(556)
% Biennial Change from 2010-11					-5.6%
Expenditures by Fund					
Direct Appropriations					
General	4,834	6,118	5,181	5,181	10,362
Statutory Appropriations					
Miscellaneous Special Revenue	5,956	8,354	5,663	5,814	11,477
Federal	0	290	510	0	510
Enterprise Technologies	80,465	89,665	93,730	95,312	189,042
Total	**91,255**	**104,427**	**105,084**	**106,307**	**211,391**
Expenditures by Category					
Total Compensation	34,136	35,848	35,503	36,188	71,691
Other Operating Expenses	57,078	66,079	68,581	70,119	138,700
Other Financial Transactions	41	2,500	1,000	0	1,000
Total	**91,255**	**104,427**	**105,084**	**106,307**	**211,391**
Expenditures by Program					
Technology Management	62,976	48,192	54,359	56,070	110,429
Planning & Management	15,106	17,930	14,683	14,367	29,050
Technology Development	6,372	23,497	20,979	21,595	42,574
Security Management	5,995	7,358	7,792	6,828	14,620
Customer & Service Management	806	7,450	7,271	7,447	14,718
Total	**91,255**	**104,427**	**105,084**	**106,307**	**211,391**
Full-Time Equivalents (FTE)	**331.9**	**345.9**	**342.7**	**342.0**	

Dollars in Thousands

	FY2011	Governor's Recomm. FY2012	Governor's Recomm. FY2013	Biennium 2012-13
Fund: GENERAL				
FY 2011 Appropriations	**5,459**	**5,459**	**5,459**	**10,918**
Technical Adjustments				
Operating Budget Reduction		(5)	(5)	(10)
Subtotal - Forecast Base	**5,459**	**5,454**	**5,454**	**10,908**
Change Items				
Operating Budget Reductions	0	(273)	(273)	(546)
Total Governor's Recommendations	**5,459**	**5,181**	**5,181**	**10,362**
Fund: MISCELLANEOUS SPECIAL REVENUE				
Planned Statutory Spending	**8,354**	**5,663**	**5,814**	**11,477**
Total Governor's Recommendations	**8,354**	**5,663**	**5,814**	**11,477**
Fund: FEDERAL				
Planned Statutory Spending	**290**	**510**	**0**	**510**
Total Governor's Recommendations	**290**	**510**	**0**	**510**
Fund: ENTERPRISE TECHNOLOGIES				
Planned Statutory Spending	**89,665**	**93,730**	**95,312**	**189,042**
Total Governor's Recommendations	**89,665**	**93,730**	**95,312**	**189,042**

Fiscal Impact ($000s)	FY 2012	FY 2013	FY 2014	FY 2015
General Fund				
Expenditures	$(273)	$(273)	$(273)	$(273)
Revenues	0	0	0	0
Net Fiscal Impact	$(273)	$(273)	$(273)	$(273)

Recommendation

The Governor recommends a reduction of $273,000 in FY 2012 and $273,000 in FY 2013 to the Office of Enterprise Technology general fund budget. The Governor intends that the Office of Enterprise Technology should focus its operating funds on maintaining its highest priority services. In addition, the Governor intends to provide as much flexibility as possible to the agency for the implementation of these reductions.

This proposal represents a 5% reduction to the Office of Enterprise Technology general fund forecast base budget.

Rationale

The Office of Enterprise Technology's general fund forecast base budget is $5.454 million for FY 2012 and $5.454 million for FY 2013 and includes amounts budgeted for Planning and Management and Security Management. The Office of Enterprise Technology is proposing to reduce operating expenditures and positions during the FY 2012-13 biennium. Specifically, the Office of Enterprise Technology will reduce operating budgets by the following amounts for the biennium:

- Planning and Management - $78,000
- Security Management - $468,000

In Planning and Management, the scaling back of professional/technical contracts and other operating expenses will have an impact upon implementation of IT plans, process improvements, and technology initiatives.

In Security Management, the reduction in a security consulting position, equipment and software, training and other operating expenses will impact efforts to further raise the level of enterprise security including, but not limited to, operations planning and disaster recovery.

Statutory Change: Not Applicable

Program Description

The mission of Technology Management (TM) is to provide information technology and telecommunications systems and services to state agencies and other public sector entities. The mission is to ensure that state technology investments are aligned with an overall enterprise management approach and to streamline service delivery through business process change and enabling technology. TM serves Minnesota's public sector by delivering cost-effective, value-added information technology and telecommunication services through a service-oriented architectural approach to utility and shared infrastructure and best practice deployment. TM actively promotes an enterprise approach that builds on the state's potential capability for shared IT management and the leveraging of opportunities for partnerships and vendor relationships for efficient, cost effective service delivery. Underlying strategies for TM are aggregation of demand and integration of distributed and centralized systems to minimize redundancy and provide scalability of shared and utility resources, efficiencies and economies of scale.

Budget Activities Included:

- Computing Services
- Telecommunication Services

Further detail on each of these Budget Activities is included in subsequent pages of this budget document.

Dollars in Thousands

	Current		Governor Recomm.		Biennium
	FY2010	FY2011	FY2012	FY2013	2012-13
Expenditures by Fund					
Statutory Appropriations					
Miscellaneous Special Revenue	1,973	162	0	0	0
Enterprise Technologies	61,003	48,030	54,359	56,070	110,429
Total	**62,976**	**48,192**	**54,359**	**56,070**	**110,429**
Expenditures by Category					
Total Compensation	22,737	14,778	14,704	15,031	29,735
Other Operating Expenses	40,239	33,414	39,655	41,039	80,694
Total	**62,976**	**48,192**	**54,359**	**56,070**	**110,429**
Expenditures by Activity					
Oet Computing Services	32,975	25,846	29,581	30,646	60,227
Oet Telecomm Services	30,001	22,346	24,778	25,424	50,202
Total	**62,976**	**48,192**	**54,359**	**56,070**	**110,429**
Full-Time Equivalents (FTE)	**214.9**	**133.1**	**133.6**	**133.6**	

Activity at a Glance

In carrying out its mission, Office of Enterprise Technology's Computing Services:

- Provides central and distributed data processing and storage for many of the State's mission-critical business applications.
- Provides 24 X 7 X 365 operational support with 99.9% computing availability in a secure data center that protects assets and data, utilizing continuous equipment power and environmental controls.

Recent key enterprise activity includes:

- Migration of 31 executive branch agencies to a single email and calendaring system with 30,000 current mailboxes, delivering 90 million emails per year and filtering 4.6 billion spam messages (up to 90% of all traffic).
- Development of an implementation and service management plan for maximizing data center facilities through the enterprise co-location strategy that will condense 38 data centers into four.

Activity Description

Office of Enterprise Technology's (OET's) Computing Services provide central and distributed data processing and storage for many of the State's key business applications. Services include hosting services, data management services, work place services, and business process management services. This activity is described in M.S. 16E.19, subd. 1: "integrate and operate the state's centralized computer facilities to serve the needs of state government."

Population Served

Current customers represent state agencies, the legislature, courts, institutions of higher education, cities, and counties. In FY 2010, OET's largest Computing Services customers and their applications were:

- *Department of Human Services (DHS)*: PRISM (Child Support System), MAXIS (eligibility determination system for TANF / MFIP), food stamps, Medicaid Management Information System (MMIS), MN-ITS (billing system for Minnesota Health Care Programs), and Shared Master Index (SMI);
- *Minnesota Management & Budget (MMB)*: Statewide procurement/accounting system and data warehouse;
- *Department of Employment and Economic Development (DEED)*: Unemployment insurance data;
- *Department of Public Safety (DPS)*: Criminal Justice Information System (CJIS), which is used by state, local government, municipal police departments and sheriffs, correctional institutions, and others with ties to the Federal Bureau of Investigation and other national law enforcement systems;
- *Department of Revenue (DOR)*: Income tax returns and refund checks, state sales tax, and property tax records and processing; and
- *Department of Commerce (DOC):* License renewal and lookup, and electronic document filing and lookup.

Services Provided

Hosting Services provide managed application hosting and equipment collocation in a fully redundant, secure, power- and climate-controlled environment with round-the-clock monitoring, serving customers from all areas of state, local government, and education. Hosting Services provide the server platform, operating system, middleware, database software, monitoring, security, and other shared and utility technical support needed to host an agency's business application and their recovery strategies.

Data Management Services provide mainframe disk and tape storage, storage area network (SAN) attached disk and tape storage, and data backup and restore services in a completely secured environment for Mainframe and Open systems.

Work Place Services provide a centralized, enterprise e-mail and calendaring environment, robust anti-virus and spam filtering application, secure, encrypted e-mail transmittal, email archiving, unified communication and collaboration, audio messaging and instant messaging. It also includes Desktop Services which provides assistance with hardware procurement and configuration, as well as day-to-day support of desktops, and executive liaison CIO-level administrative support to the Department of Administration through an interagency relationship.

Business Process Management Services provide online collaboration for easy communication among users. This service includes Enterprise Project Management (EPM)/SharePoint web collaboration tool/service.

Key Activity Goals & Measures

OET's Computing Services is in the process of developing service operating metrics and service level agreements. Some of the key operating metrics which OET is focusing on for comparison to industry benchmarks are as follows:

- Co-location – cost per server, cost per rack, cost per rack unit;
- Server support – cost per server, cost per virtual instance;
- Database – cost per database, cost per instance;
- Application hosting – cost per CPU, cost per CPU second;
- Data management (Storage/Backup) – cost per gigabyte, cost per storage type;
- E-mail – volume, average delivery time, % spam, availability; and
- Desktop – cost per desktop.

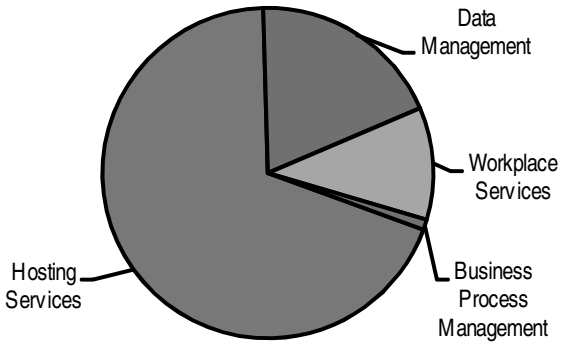
The following data indicates Computing Service volume and computing activity:

- 905 Servers managed per year;
- 20,000 Incidents managed per year;
- 4.9 million Batch jobs processed per year;
- 4.6 billion Spam Emails filtered in a year;
- 90 million Emails delivered in a year;
- 1.7 billion Online transactions processed per year;
- 350 terabytes of Backed up data; and
- 170 terabytes of Managed storage.

Activity Funding

Computing Services is 100% funded by the enterprise technology fund through chargeback / cost recovery rates. Below is a pie chart showing FY 2011 estimated revenue for the major products/services within Computing Services.

FY 2011 Estimated Revenue Budget
TM - Computing Services



In FY 2011, OET's Computing Services has budgeted for approximately 94.5 FTEs, including FTEs for overtime expenses, which are 100% funded through the enterprise technology fund. If funding and FTE migrate from other agencies as a result of utility services, co-location, or other consolidations, the FTE count may increase, typically with corresponding decreases in other agencies.

General Fund Loans: Computing Services does not have a loan from the general fund nor does it anticipate a need for a general fund loan during the FY 2012 – FY 2013 biennium.

Proposed Investments in Technology or Equipment of $100,000 or more: OET's Computing Services purchases capital equipment to support customer applications. The depreciated portion of the total cost is incorporated into cost recovery rates and varies depending upon life cycle of equipment being purchased. Computing Services' equipment such as mainframe and disk equipment is depreciated over three years, with tape and other equipment depreciated over four years. Generally, master lease funding is utilized for the capitalized asset purchases. In order to continue to move in the direction of data center co-location, purchase of power distribution units (PDU's) are planned for FY2011. In FY 2011, there are no planned equipment investments of $100,000 or more. Planned equipment purchases for the FY 2012-13 biennium may change based on any utility, co-location or consolidation efforts undertaken.

Operating Losses/Increases in Retained Earnings*:* OET's Computing Services manages retained earnings according to federal requirements, which state that the retained earnings balance cannot exceed two months of operating expenses. The federal government does not recognize depreciation or amortization as an operating expense in this calculation. In FY 2011, Computing Services' depreciation / amortization expense is projected to be $2.2 million. OET's Computing Services budget goal is to break even by the end of each fiscal year, however, if customer usage is higher or lower than forecasted, increases or decreases in retained earnings occur. Historically, Computing Services' product usage has exceeded budget forecasts, causing increases in retained earnings. The earnings above federal guidelines have been rebated to OET's Computing Services customers, rates have changed, or there have been federal repayments.

History of Computing Services' Rate Changes:

Fiscal Year	**2004**	**2005**	**2006**	**2007**	**2008**	**2009**	**2010**	**2011**
Change	(16%)	(7%)	(1%)	0%	0%	0.32%	(.862%)	(.03%)

Impact of Rate Changes:

Targeted high usage Computing Services rates for mainframe and storage have decreased over the past several years primarily due to increases in customer usage, efficiencies in equipment, and decreases in costs. Although the rates have decreased, most customers have not realized overall reduced costs due to their increased usage of the services. Customers whose usage has decreased have received the most benefit from the lower rates. Although there have been these targeted reductions, the overall rate has either remained constant or has had minimal change in the last several years based on the mix of services in this budget activity.

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ENTERPRISE TECHNOLOGY OFFICE
Program: TECHNOLOGY MANAGEMENT
Activity: OET COMPUTING SERVICES

Budget Activity Summary

Dollars in Thousands

	Current		Governor's Recomm.		Biennium
	FY2010	FY2011	FY2012	FY2013	2012-13
Expenditures by Fund					
Statutory Appropriations					
Miscellaneous Special Revenue	1,765	0	0	0	0
Enterprise Technologies	31,210	25,846	29,581	30,646	60,227
Total	**32,975**	**25,846**	**29,581**	**30,646**	**60,227**
Expenditures by Category					
Total Compensation	14,551	10,155	10,143	10,357	20,500
Other Operating Expenses	18,424	15,691	19,438	20,289	39,727
Total	**32,975**	**25,846**	**29,581**	**30,646**	**60,227**
Full-Time Equivalents (FTE)	**135.5**	**91.9**	**92.4**	**92.4**	

Activity at a Glance

In carrying out its mission, Office of Enterprise Technology's Telecommunication Services:

- Partners with over 100 private sector telecommunication service and equipment providers to deliver secure and reliable converged IP network services via MNET in more than 1,000 locations in 375 Minnesota communities.
- Delivers mission-critical, secure and reliable wide area network connections for Minnesota's public safety, criminal justice, learning, and governmental operations.
- Contracts with over 50 telephone companies to provide 30,000 telephone lines and millions of minutes of long distance service to hundreds of locations statewide.
- Achieves large-scale cost efficiencies through network aggregation of state's enterprise-wide customers and productivity transformations through IP Telephony and Call Center Minnesota.
- Provides high network availability (99.9%) through 24 X 7 X 365 operational support in a secure operations center.

Activity Description

The mission of Telecommunication Services is to enable faster, better, and more efficient services to Minnesota's public sector through shared communications infrastructure and services. This activity is governed by M.S. 16E.17: "The chief information officer shall supervise and control all state telecommunication facilities and services."

Population Served

Minnesota's Network for Enterprise Telecommunications (MNET) public sector partners include all state agencies and boards, the legislature, courts and constitutional offices, all MnSCU and U of M campuses, all 87 counties, and many municipalities, tribal governments, public television, schools, and libraries. In FY 2010, the largest users of Telecommunication Services were: Minnesota State Colleges and Universities (MnSCU), the University of Minnesota (U of M), the departments of: Public Safety, Human Services, Transportation, Employment and Economic Development, Natural Resources, Revenue, Health, and Corrections, counties, cities, and hundreds of Minnesota school districts and public libraries.

Services Provided

Wide Area Network Services, MNET, is a public-private partnership delivering secure, reliable, and seamless intra- and inter-organizational networking of data, video and voice services for education, local government and state agencies. Office of Enterprise Technology (OET) provides 24 X 7 X 365 operations to allow effective state information infrastructure network management, responsiveness, and fault protection through a single point of contact for service orders, problem management and repair.

IP Services use MNET to deliver IP (Internet Protocol) telephony and IP videoconference services. IP Telephony capabilities are replacing contracted telecommunication services—local, long distance, and call center services. Included in this suite of services are:

- hosted IP Telephony: regular telephone service provided via an IP infrastructure and transported over MNET and customers' local area networks (LANs);
- contact Center Minnesota (CCM): multimedia environment to manage many types of customer service interactions, including telephone calls, emails, faxes, web site chats, and correspondence—queues, skills-based routing, screen pops from a database, call recording, interactive voice response, and support for remote and telecommuting agents;
- voice mail;
- e-fax: delivery of faxes to e-mail accounts, reducing cost and paper consumption; and
- IP Video Conferencing: Over 1300 videoconference rooms are in use at nearly 300 MNET locations. One-way streaming media services are also available to stream out live or archived content over MNET and made available to the citizens via the Internet.

Contracted Telecom Services are local voice and long distance telephone services, business lines, and voice trunk facilities for premise-based telephone systems, direct dial long distance, calling cards, toll-free (8XX), and pay-per-call numbers services that are contracted and provided by common telecommunication carriers. Foreign language interpretation services and audio conferencing services are also offered. While a segment of local service customers are replacing Centrex (analog phone) with an IP service solution, the components of

Contracted Telecom remain important services to OET's out-state customers. OET has concluded an extensive request for proposal process / award for bundled telecommunications services which will change the telecommunication carriers for these services. OET is working on the migration plan, which will occur over the FY 2012 – FY 2013 biennium.

Key Activity Goals & Measures

Telecommunications services support OET's mission for transformation of public services through effective and efficient delivery of services to government and education and their customers. OET's Telecommunication Services is in the process of developing service operating metrics and service level agreements. Some of the operating metrics being looked at are:

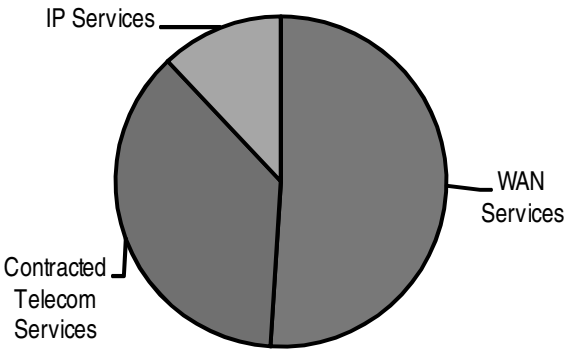
- Network availability;
- Cots per bandwidth (MBPS);
- Long distance – cost per minute;
- Centrex – cost per station;
- IPT – cost per station; and
- Conferencing – cost per minute.

High availability of Telecommunications Services is assured through 24 X 7 X 365 operational support in a secure operations center that protects assets, data, and operational staff, with continuous equipment power and environmental controls. In FY 2010, OETs' network availability was 99.9%.

Activity Funding

Telecommunication Services is 100% funded by the enterprise technology revolving fund through chargeback / cost recovery rates. Below is a pie chart showing FY 2011 estimated revenue for the major products/services within Telecommunication Services.

FY 2011 Estimated Revenue Budget
TM - Telecommunication Services



In FY 2011, Telecommunication Services has budgeted for approximately 41 FTEs, including an FTE for overtime expenses, which are 100% funded through the enterprise technology fund. If funding and FTE migrate from other agencies as a result of utility services, co-location, or other consolidations, the FTE count may increase, typically with corresponding decreases in other agencies.

General Fund Loans: Telecommunication Services does not have a loan from the general fund nor does it anticipate a need for a general fund loan during the FY 2012-13 biennium.

Proposed Investments in Technology or Equipment of $100,000 or more: OET purchases some wide area network equipment to support customer applications and then depreciates the equipment over four years with the depreciation expense incorporated into the cost recovery rates. OET anticipates continued growth in the WAN Services and is planning capital purchases in this area to respond to business needs and the deployment of converged IP voice traffic on MNET, which requires an increase in the bandwidth capacity and network hubs. In FY 2011, all of the network equipment to be purchased has a unit cost of less than $100,000 and will include routers, switches, bridges, telephony conferencing, and IP-to-IP gateway equipment, OET did a major IPT infrastructure upgrade in FY 2010 to ensure the high-availability and resiliency of the service and meet state's business need for unified communication. It is anticipated that there will be similar purchases for WAN Services and IP Services under $100,000 during the FY 2012-13 biennium. Telecommunication Services does not plan any capital purchases for Contracted Telecommunication Services over $100,000 during the FY 2012-13 biennium.

Operating Losses/Increases in Retained Earnings: OET's Telecommunication Services manages retained earnings according to federal requirements, which state that the retained earnings balance cannot exceed two months of operating expenses. The federal government does not recognize depreciation or amortization as an operating expense in this calculation. In FY 2011, Telecommunication Services' depreciation/amortization expense is projected to be approximately $1.7 million. Historically, Telecommunication Services overall has not contributed positively to OET's overall retained earnings balance due to changes in customer usage and new emerging shared services, however, this is beginning to change as services have grown.

History of Telecommunication Services' Rate Changes:

Fiscal Year	**2004**	**2005**	**2006**	**2007**	**2008**	**2009**	**2010**	**2011**
Change	(4%)	(3%)	6%	3%	(6.63%)	(0.93%)	(2.48%)	(3.77%)

Impact of Rate Changes: Cost recovery rates for some contracted telecommunication services are increasing due to a decreasing participant base as customers migrate to other products or solutions. These increases should be offset by decreases in the WAN services cost recovery rates for those customers using both Contracted Telecommunication Services and WAN Services, assuming the same volume and mix of goods/services between fiscal years. The overall Telecommunications rate decreases are primarily due to telecommunication vendor cost based rates using average vendor cost pricing. These rate decreases are achieved through a mix of vendor management, changes in geographic locations, procurement options, pricing, volumes, and new providers. Customers have been able to consume more capacity and value-added services to meet their business requirements and upgrade to more feature-rich services to improve productivity.

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ENTERPRISE TECHNOLOGY OFFICE
Program: TECHNOLOGY MANAGEMENT
Activity: OET TELECOMM SERVICES

Budget Activity Summary

Dollars in Thousands

	Current		Governor's Recomm.		Biennium
	FY2010	FY2011	FY2012	FY2013	2012-13
Expenditures by Fund					
Statutory Appropriations					
Miscellaneous Special Revenue	208	162	0	0	0
Enterprise Technologies	29,793	22,184	24,778	25,424	50,202
Total	**30,001**	**22,346**	**24,778**	**25,424**	**50,202**
Expenditures by Category					
Total Compensation	8,186	4,623	4,561	4,674	9,235
Other Operating Expenses	21,815	17,723	20,217	20,750	40,967
Total	**30,001**	**22,346**	**24,778**	**25,424**	**50,202**
Full-Time Equivalents (FTE)	**79.4**	**41.2**	**41.2**	**41.2**	

Program at a Glance

OET's Planning and Management:

- Manages the IT governance process by which state strategy, investment, policy, and priority decisions are made, including four standing advisory bodies and numerous boards of subject matter experts;
- Supports and advises the Governor in areas of technology and information leadership and planning;
- Provides legislative liaison function for the agency and for all IT-related legislative activity on behalf of the enterprise;
- Leads enterprise IT planning efforts including the State IT Master Plan and the Minnesota iGov two-year tactical plan;
- Manages the planning and execution of priority centralization projects including data center co-location and enterprise e-licensing;
- Provides support for the cabinet-level CIO function; and
- Provides day-to-day agency leadership and financial management.

Program Description

The mission of Planning and Management and the office of the State Chief Information Officer (State CIO) is to provide strategic IT leadership to agencies and other levels of government in the area of statewide information policies, technology investments, and strategies; to provide analytical, planning, and support to the governor and state legislature on matters of technology; and to provide general management and direction to the programs and activities that make up the Office of Enterprise Technology (OET).

Population Served

Primary customers are the governor, state legislators, state agencies, state and national IT public and private sector leadership, other Minnesota government, and educational entities and, by extension, the citizens of Minnesota that interact with state government.

Services Provided

This program manages the statutory leadership requirements of the Office of Enterprise Technology. This includes statewide and agency strategic information and communications technology planning; development and oversight of enterprise information technology and security policies; management of the State CIO's IT oversight responsibilities for strategic direction and resource management; communication of enterprise goals, priorities and activity to key stakeholders; development of informational programs that promote effective technology; and the representation of the State of Minnesota in state and national information technology leadership activity, planning, and knowledge-sharing. Internal OET leadership and direction includes oversight of the day-to-day agency operations and financial management of agency resources.

Historical Perspective

Prior to the creation of OET by the legislature in 2005, information and technology management was highly decentralized, and policymaking was distributed across several entities. This resulted in inefficiencies, duplication of activities, redundant technology systems and services, lack of true central oversight, and lack of planning across agencies and program areas. Planning was an accumulation of agency directions instead of a true strategic vision for state government. These inefficiencies resulted in increased complexity and risk, and lost opportunities to both improve the technological capabilities of the State and to take advantage of economies of scale. Executive Order 05-04 and legislative changes to M.S. 16E.01 established a cabinet-level State CIO and clarified the authority and responsibilities of that position and the Office of Enterprise Technology.

Since that time, the Office of Enterprise Technology has created a governance process that provides agency input into its state planning and policy activity and into IT enterprise service strategies. Through that governance process, OET managed the formulation of a ten-year master plan and has developed several significant shared and utility services and consolidation initiatives in keeping with priorities of that plan, publishing in 2009 a two-year tactical plan, Minnesota iGov, that outlines the State's priority enterprise initiatives. Work continues on those initiatives, with significant progress and milestones.

In 2008, OET embarked on a significant "Change Plan" designed to reorganize the agency into function areas more suited to manage industry-standard services and processes and more flexible and capable of scaling up appropriately to deliver shared and utility services to a larger customer base. The changes included the creation of a Customer and Service Management Program, the creation of a Service Desk as the point of contact to handle and manage all requests and incidents, the implementation of industry best practices for information

technology service delivery processes, improved internal organizational governance and decision-making, and the creation of new service life-cycle management and cost-modeling processes.

Key Program Goals and Measures

The key goal of this program is to ensure effective management of state technology investments and stewardship of state resources.

The key measures for this area include:

- up-to-date Enterprise Master Plan for Information Management (updated every two years);
- enterprise portfolio reports to legislature delivered on time;
- successful management of key enterprise projects as outlined in strategic plans;
- efficient and effective on-going governance that ensures broad participation by agency and other stakeholders; and
- efficient and effective management of agency business, including the managing of the agency budget and operations

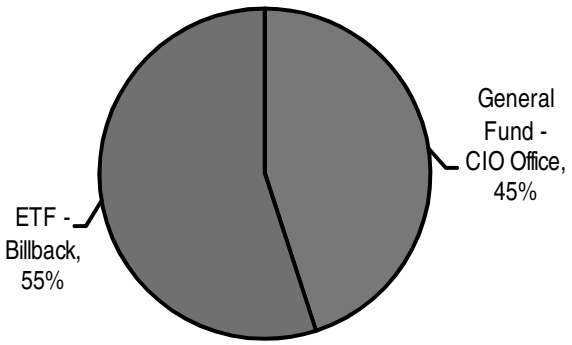
Planning and Management's recent accomplishments include:

- development of the one-year OET Change Plan and management of the ensuing reorganization, resulting in dramatic efficiencies in the organization and improved customer relations;
- improved strategic planning processes and internal decision-making processes;
- implementation of industry-standard best practices, processes, tools, and training for service management and delivery, including Information Technology Service Management (ITSM), Information Technology Infrastructure Library (ITIL), and Control Objectives for Information and related Technology (CoBIT);
- development of Minnesota iGov, a two-year tactical plan to implement seven key enterprise initiatives including management of the initiatives and their governance;
- management of the development of a co-location strategy for the State's 38 data centers;
- successful launch of a major enterprise e-licensing system;
- management of a thorough data assessment of all executive branch IT, resulting in a report required by the legislature to assess the costs and savings of various outsourcing alternatives;
- development of a new cost model for evaluating service costs and setting service rates; and
- formalized IT governance process and decision-making authorities and increased communications, resulting in greater agency participation.

Program Funding

OET's support, oversight, and governance functions for the executive branch are funded by the general fund. OET's internal operations are funded by the enterprise technology fund through charge back / cost recovery rates.

FY 2011 Estimated Revenue Budget
Planning and Management



In FY 2011, Planning and Management has budgeted for approximately 53.16 FTEs. If funding and FTE migrate from other agencies as a result of utility services, co-location, or other consolidations, the FTE count may increase, typically with corresponding decreases in other agencies.

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Dollars in Thousands

	Current		Governor Recomm.		Biennium
	FY2010	FY2011	FY2012	FY2013	2012-13
Direct Appropriations by Fund					
General					
Current Appropriation	1,350	1,292	1,292	1,292	2,584
Technical Adjustments					
Operating Budget Reduction			(2)	(2)	(4)
Subtotal - Forecast Base	1,350	1,292	1,290	1,290	2,580
Governor's Recommendations					
Operating Budget Reductions		0	(39)	(39)	(78)
Total	**1,350**	**1,292**	**1,251**	**1,251**	**2,502**
Expenditures by Fund					
Direct Appropriations					
General	1,176	1,445	1,251	1,251	2,502
Statutory Appropriations					
Miscellaneous Special Revenue	389	906	581	581	1,162
Enterprise Technologies	13,541	15,579	12,851	12,535	25,386
Total	**15,106**	**17,930**	**14,683**	**14,367**	**29,050**
Expenditures by Category					
Total Compensation	4,053	4,174	4,178	4,281	8,459
Other Operating Expenses	11,012	11,256	9,505	10,086	19,591
Other Financial Transactions	41	2,500	1,000	0	1,000
Total	**15,106**	**17,930**	**14,683**	**14,367**	**29,050**
Expenditures by Activity					
Planning & Management	15,106	17,930	14,683	14,367	29,050
Total	**15,106**	**17,930**	**14,683**	**14,367**	**29,050**
Full-Time Equivalents (FTE)	**51.3**	**52.5**	**52.5**	**52.5**	

Program at a Glance

Technology Development combines a variety of functions related to the development of new technologies and applications in a manner that ensures their effective operation and their value to Minnesota's ability to provide citizen-facing government services. Recent key results include:

- State web portal with 13 million page views per month, indexing 1.1 million state government documents;
- Centralized hosting of 100+ agency websites;
- A new electronic licensing web portal for personal, recreational and business licenses;
- A new enterprise e-licensing system that will that will eventually make over 900 business and professional license types accessible to citizens 24/7;
- Reduction in cost through aggregated purchasing of IT-related hardware, software and professional services, resulting in $35 million in investment capital available for organizational business needs;
- Reduction in time to engage professional IT specialists from two weeks to 48 hours through new ASAP-IT program;
- Enterprise licensing agreements for major software products to standardize technical architecture and reduce costs; and
- New Enterprise Project Management tool to improve reporting for IT projects statewide.

Program Description

The mission of Technology Development is to establish an integrated and secure framework that enables citizen and business access to "borderless" government services. The program capitalizes on information, communication, and e-commerce technologies to optimize the delivery of government products and services on-demand, independent of time, place, and agency organization. e-Government is a strategy that fundamentally transforms the ways in which government interacts and collaborates with citizens, businesses, employees, and government entities.

This program implements the Office of Enterprise Technology's (OET's) statutory requirements to:

- "coordinate statewide efforts by units of state and local government to plan for and develop a system for providing access to government services";
- make recommendations to facilitate coordination and assistance of demonstration projects;
- explore ways and means to improve citizen and business access to public services, including implementation of technological improvements" (M.S. 16E.05);
- "establish 'North Star' as the … state's governmental framework for coordinating and collaborating in providing online government information and services" (M.S.16E.07, subd.2);
- "develop and establish a state information architecture to ensure that state agency development and purchase of information and communications systems, equipment, and services is designed to ensure that individual agency information systems complement and do not needlessly duplicate or conflict with the systems of other agencies" (M.S.16E.04); and
- "establish … methods for developing information and communications systems appropriate to the specific needs of individual state agencies." (M.S. 16E.03, subd.6).

Population Served

Services are provided to state departments, agencies, commissions, councils, boards, task forces, and committees; constitutional offices; court entities; Minnesota State Colleges and Universities; counties, statutory and home rule charter cities and towns; school districts; special districts; and any other board, commission, district, or authority created under law, local ordinance, or charter provision.

Services Provided

Application Management Services maintains the OET application portfolio, linking business priorities with IT service capabilities. This includes four functions: Application Development, Application Operations, Middleware Services, and Database Administration. A major activity, Enterprise Licensing**,** provides the e-Licensing infrastructure and framework that will create a streamlined, one-stop-shop for business and professional licensure.

Web Content Hosting Services include the State web portal, web content hosting, web design, and website indexing and search services. This work includes maintaining the infrastructure and information architecture for the state's citizen-centric portal that enables universal access to government services and information quickly and easily.

ISRM (Information Standards and Resource Management) Services establish information technology (IT) standards for hardware, cell phones, professional/technical services, and software to leverage the vast purchasing power of Minnesota government entities through a collaborative purchasing process used by 100+ state agencies, 87 counties, 850 cities, 430 school districts, 36 MnSCU campuses, and 4 University of Minnesota campuses. ISRM also establishes enterprise software license agreements to reduce costs by leveraging major software manufacturers' licensing fees through aggregation of state and local government demand. This includes a Microsoft Enterprise Agreement for all 30,000 executive branch users that mitigates the state risk by protecting executive branch agencies from lawsuits due to software non-compliance with Microsoft licensing agreements and lowers the total cost of ownership.

Enterprise Architecture provides guidance, processes, tools, standards and governance for the design, development, procurement, maintenance, and decommissioning of information and telecommunications technology systems and services across the enterprise in order to align IT investments with business strategies.

Project Management Office (PMO) and Program Oversight provides project management for information technology projects internal to OET and for the enterprise. The PMO also performs statutory oversight responsibilities including reviewing and reporting on executive branch IT projects.

Key Program Goals & Measures

The activities in this program are designed to achieve the following key program goals:

- optimize the delivery of e-government products and services on-demand, independent of time, place, and agency organization;
- transform the ways in which government interacts and collaborates with citizens, businesses, employees, and government entities;
- increase the security and effective electronic delivery of government services; and
- create more "one-stop-shop" opportunities for easier government service.

Key measures include:

- a common eGovernment framework for transacting business and communicating online in more efficient and cost-effective public service delivery;
- online applications that adhere to standards, resulting in reusable solutions, and increased coordination and collaboration among government agencies;
- reengineered business processes, resulting in streamlined "back office" functions in multiple agencies; and
- citizen and business identities and privacy protected and data accessible to authorized persons.

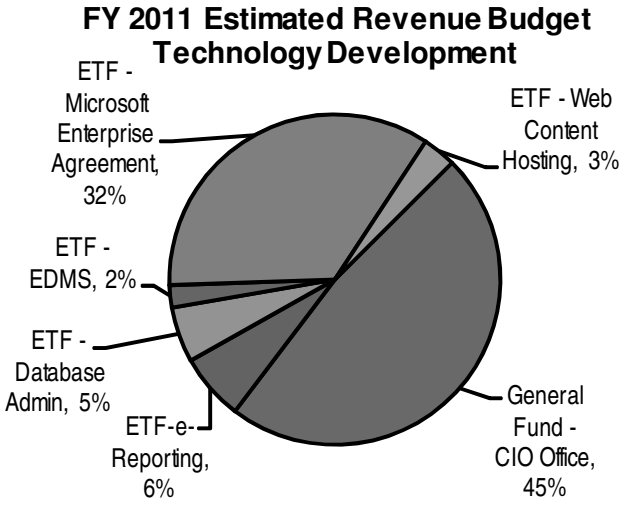
Technology Development's key accomplishments for FY 2010 include:

- built licensing system infrastructure for an Enterprise e-Licensing solution and piloted the application with two licensing boards; re-launched the website "License Minnesota" as the central portal for the new solution and other state licensing systems and began the first phase of implementation business re-engineering;
- negotiated a Microsoft enterprise licensing agreement and an Oracle enterprise licensing agreement for the executive branch agencies that will result in full statewide license compliance and significant savings to individual agencies;
- launched a professional/technical standards program (ASAP-IT) for the state that cut the time for engaging technical specialties from two weeks to 48 hours;
- chartered a State Enterprise Architecture governance board and created an Enterprise Architecture framework and methodologies definition in order to optimize the delivery of government services; and

- chartered a Project and Portfolio Management Review Board; published a Project and Portfolio Management Policy framework; upgraded the Enterprise Project and Portfolio tool (EPM) for statewide reporting and tracking.

Program Funding

Currently, Technology Development's Web Content Hosting Services is funded through the enterprise technology fund by cost recovery / chargeback rates. Historically, expenses have exceeded revenue. Funding of the enterprise licensing system is being provided by license surcharge fees collected from agencies issuing professional and commercial licenses and transferred into the 200 fund.



In FY 2011, Technology Development is budgeted for approximately 66.85 FTEs. If funding and FTE migrate from other agencies as a result of utility services, co-location, or other consolidations, the FTE count may increase, typically with corresponding decreases in other agencies.

General Fund Loans: Technology Development does not have a loan from the general fund nor does it anticipate a need for a general fund loan during the FY 2012 – FY 2013 biennium.

Proposed Investments in Technology or Equipment of $100,000 or more: There are no proposed investments in technology or equipment of $100,000 or more.

Operating Losses/Increases in Retained Earnings*:* OET's Technology Development funded through the enterprise technology fund manages retained earnings according to federal requirements, which state that the retained earnings balance cannot exceed two months of operating expenses. The federal government does not recognize depreciation or amortization as an operating expense in this calculation. In FY 2011, Technology Development Web Content Hosting Services' amortization expense is projected to be $261 thousand. OET's Technology Development chargeback/budget goal is to break even by the end of each fiscal year. However, if customer usage is higher or lower than forecasted, increases or decreases in retained earnings occur. Historically, Technology Development expenses in the enterprise technology fund have exceeded revenue, causing decreases in retained earnings.

History of Technology Development Services' Rates Changes:

Fiscal Year	**2004**	**2005**	**2006**	**2007**	**2008**	**2009**	**2010**	**2011**
Change	0%	0%	0%	0%	2.30%	2.93%	0%	0%

Impact of Rate Changes:

The rates remain constant, however, expenses continue to exceed revenue in the Web Content Hosting area.

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Dollars in Thousands

	Current		Governor Recomm.		Biennium
	FY2010	FY2011	FY2012	FY2013	2012-13
Expenditures by Fund					
Statutory Appropriations					
Miscellaneous Special Revenue	3,594	7,286	5,082	5,233	10,315
Enterprise Technologies	2,778	16,211	15,897	16,362	32,259
Total	**6,372**	**23,497**	**20,979**	**21,595**	**42,574**
Expenditures by Category					
Total Compensation	3,007	7,726	7,489	7,541	15,030
Other Operating Expenses	3,365	15,771	13,490	14,054	27,544
Total	**6,372**	**23,497**	**20,979**	**21,595**	**42,574**
Expenditures by Activity					
Td System Delivery	6,372	23,497	20,979	21,595	42,574
Total	**6,372**	**23,497**	**20,979**	**21,595**	**42,574**
Full-Time Equivalents (FTE)	**27.4**	**66.8**	**64.2**	**63.5**	

Program at a Glance

OET's Security Management Program:
- Coordinates all state government information technology security services;
- Provides security services that cannot be performed cost effectively by individual units of government; and
- Sets statewide security policy and promotes best practices that improve the overall security posture of state data and systems.

Program Description

OET's Security Management combines preventative and reactive strategies to keep the State's information assets safe and fulfill its mission to "ensure overall security of the state's information and technology systems and services." *(M.S. 16E.01)*

Policy and planning: Setting clear enterprise-wide standards and policies and direction that protect our assets and lessen the likelihood of attacks.

Architecture: Ensuring security tools and best practices are built into new systems that we build and buy.

Security tools: Developing a shared toolset that isolates vulnerabilities, monitors systems, detects and neutralizes attacks, and conducts forensics.

Education: Training users about cyber dangers and the best practices that keep us out of trouble.

Practice: Practicing recovery plans so that government business is uninterrupted in case of attack or disaster.

Population Served

The Security Management Program serves 70+ executive branch entities, with over 33,000 state employees and contracts, which access billions of data elements on over 36,000 personal computers and or servers, located in over 1,000 locations. The program partners with other government entities when possible and cost-effective.

Services Provided

The program's sixteen core security services range from foundational governance activities to detailed technical services such as continuous vulnerability management. Most services provided to state government are those that require a great deal of specialized knowledge or tools that cannot be purchased cost effectively by individual entities. This program also coordinates the security efforts for the entire executive branch of government, including setting baseline policies, procedures, standards, and guidelines. These services include:

- Security Portfolio Management
- Risk Management
- Standards & Policy
- Security Architecture
- Security Awareness & Training
- Access Management
- Intrusion Monitoring
- Malicious Program Detection
- Security Information Management
- Vulnerability Management
- Incident Response & Forensics
- Threat Management
- Asset Management
- Physical Security
- Business Continuity
- Data Privacy

Historical Perspective

Minnesota has historically taken a decentralized approach to information security. For years, state agencies separately addressed information security risks, resulting in an environment in which important security duties are either performed inconsistently or not at all. Investments in information security also varied significantly across agencies, with the state spending an estimated 2% of its total information technology budget on information security. The industry standard ranges from 5.4% to 6.2%. The Office of the Legislative Auditor's information security audit work affirms the inadequate current state of information security controls and the inherent deficiencies in a decentralized environment.

The current rate of technology advances and mobile tools increase citizens' demand for continuous access to online government services. The rapidly expanding use of the Internet has increased connectivity between

government entities, third parties, and users of state services, creating a more "open government." In addition, cyber crime has skyrocketed over the past few years, shifting from crimes of notoriety to far more serious crimes for financial gain. All of these factors increase the state's risk posture, making it more difficult to protect information.

The Security Management Program was created in 2006 to provide a centralized approach and tactically address new threats. The program has embarked on a multi-year plan to improve security and more effectively leverage resources, working diligently to create an effective statewide information security framework, directing its limited resources toward the crucial building blocks – strategic planning and enterprise policy development – that make possible a more comprehensive, long-term program. The program has also purchased and piloted some, but not all, of the key technical tools necessary to protect the state's digital infrastructure and the data upon which government depends.

Through strong governance and a spirit of collaboration among the state agencies, Security Management has laid the necessary foundation for security measures that will maintain a reasonable level of risk to our systems and information in a world where cyber threats continue to grow at an alarming pace.

Key Program Goals and Measures

In carrying out its mission, the most important success factor will be how well we share our limited resources – including people, processes, and tools. High-level strategic outcomes have been defined for the State of Minnesota to appropriately manage cyber security risks. Absent the necessary resources, the timeframe to achieve the outcomes may be extended.

- **Improved Situational Awareness** – Help the state obtain a better understanding of its risk posture, and give the state the ability to measure its risk posture with rigorous performance metrics.
- **Proactive Risk Management** – Outcomes make employees and government leaders more aware of security threats. Also, they will garner the executive support needed for Security Management to thrive long-term. Finally, they include various types of preventive controls.
- **Robust Crisis and Security Incident Management** – Help the state manage security events more efficiently and effectively, thereby minimizing damage.

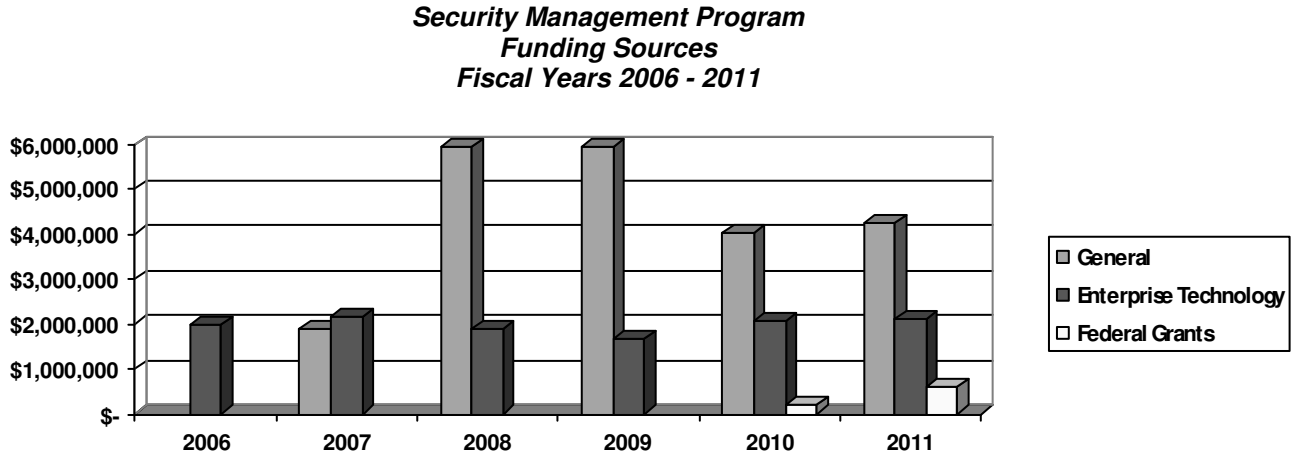
Security management is developing metrics to continually measure compliance and risk for each agency and for the executive branch as a whole.

Accomplishments during FY2010 include:

- installed intrusion detection and prevention tools and security event monitoring tools in state data center;
- published security policies and standards;
- established an Identity & Access Management steering committee to help design and implement one solution for all of government to utilize;
- provided business continuity and disaster recovery services to numerous state and local units of government;
- performed ongoing scans of state computers to find and mitigate vulnerabilities before they can be exploited;
- managed numerous security incidents each month and performed forensic investigations, when necessary;
- participated in major government computer system projects to embed appropriate controls in the systems;
- provided security consulting services to many state agencies; and
- hosted a wide array of information security training classes, adding many new Certified Information Systems Security Professionals (CISSPs) to state government.

Program Funding

Security Management is primarily funded by a direct appropriation from the general fund. Other security services that are embedded into centralized IT product lines, such as providing access control for the centralized mainframe services, are funded by the enterprise technology fund through chargeback/cost recovery rates. For FY 2010 and FY 2011, the program applied for, and was awarded federal grants to be used for improving business continuity and situational awareness controls. The following graph portrays the funding sources.



In FY 2011, the program has budgeted for approximately 32.5 FTEs. If funding and FTE migrate from other agencies occurs as a result of utility services, co-location, or other consolidations, the FTE count may increase, typically with corresponding decreases in other agencies.

***General Fund Loans**:* Information Security Services does not have a loan from the general fund nor does it anticipate a need for a general fund loan during the FY 2012 – FY 2013 biennium.

***Proposed Investments in Technology or Equipment of $100,000 or more**:* In FY 2011, Information Security program will purchase technology and equipment that may exceed $100,000. OET is in the process of collaboratively assessing the enterprise information security service needs.

***Operating Losses/Increases in Retained Earnings**:* The information security program manages retained earnings for the enterprise technology fund according to federal requirements, which state that the retained earnings balance cannot exceed two months of operating expenses. The federal government does not recognize depreciation or amortization as an operating expense in this calculation. In FY 2011, related depreciation expense is projected to be approximately $12 thousand dollars. The program has not contributed positively to OET's overall retained earnings balance due to the startup of the new emerging shared services.

***History of Security Management Rate Changes**:*

Fiscal Year	**2004**	**2005**	**2006**	**2007**	**2008**	**2009**	**FY2010**	**FY2011**
Change	1%	20%	0%	95%	0.67%	0.18%	0%	0%

Impact of Rate Changes:

Within the last few fiscal years, OET rates have remained constant; however, expenses have exceeded revenue. OET is actively engaging agency partners in seeking a cost-effective, standard enterprise solution for identity management services, including managing directory services, user provisioning, user self-service, password and account management and simplified sign-on services for all employees and citizens.

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Dollars in Thousands

	Current		Governor Recomm.		Biennium
	FY2010	FY2011	FY2012	FY2013	2012-13
Direct Appropriations by Fund					
General					
Current Appropriation	4,167	4,167	4,167	4,167	8,334
Technical Adjustments					
Operating Budget Reduction			(3)	(3)	(6)
Subtotal - Forecast Base	4,167	4,167	4,164	4,164	8,328
Governor's Recommendations					
Operating Budget Reductions		0	(234)	(234)	(468)
Total	**4,167**	**4,167**	**3,930**	**3,930**	**7,860**
Expenditures by Fund					
Direct Appropriations					
General	3,658	4,673	3,930	3,930	7,860
Statutory Appropriations					
Federal	0	290	510	0	510
Enterprise Technologies	2,337	2,395	3,352	2,898	6,250
Total	**5,995**	**7,358**	**7,792**	**6,828**	**14,620**
Expenditures by Category					
Total Compensation	3,808	3,762	3,690	3,768	7,458
Other Operating Expenses	2,187	3,596	4,102	3,060	7,162
Total	**5,995**	**7,358**	**7,792**	**6,828**	**14,620**
Expenditures by Activity					
Security Management	5,995	7,358	7,792	6,828	14,620
Total	**5,995**	**7,358**	**7,792**	**6,828**	**14,620**
Full-Time Equivalents (FTE)	**33.3**	**33.3**	**32.3**	**32.3**	

Program at a Glance

In carrying out its mission, OET's Customer and Service Management program has:

- Developed a Client Relationship Management function and customer relationship practices that increase OET's understanding of customer business needs, improve usage forecasting, and institute service level agreements and reporting on a routine basis;
- Established a 24X7 single point of contact (SPOC) Service Desk for the full incident and request fulfillment process for all OET services;
- Developed a "back office" tool for processing and responding to Service Desk requests, and an improved online interface and catalog (MN.IT) for OET customers;
- Established a Service Portfolio Management function and processes to manage OET services over their product lifecycle;
- Developed an IT Service Management process that leverages ITIL and technology industry best practices;
- Initiated metrics and regular reporting for key process areas, beginning with incident, problem, and change management; and
- Deployed new Enterprise Email, Email Archiving, and SharePoint services, and improved the service levels and viability of many existing services.

Program Description

The mission of Customer and Service Management is to deliver technology business value by effectively managing the customer relationship and the service management life cycle of all shared and utility services provided by OET. The goal of the program is to improve the performance of those services through IT Service Management (ITSM) and Information Technology Infrastructure Library (ITIL) best practices encompassing processes such as incident, problem, change, request, and knowledge management, and to provide high-value IT services that are competitive with the market.

These best practices and processes are key to Minnesota iGov services and business reforms.

Population Served

Customer and Service Management Services are provided to state agencies, commissions, councils, boards, task forces, and committees; Judicial and Legislative Branches; constitutional offices; Minnesota State Colleges and Universities; counties, cities, townships; school districts; special districts; tribal governments, federal government and any other board, commission, district, or authority created under law, local ordinance, or charter provision.

Services Provided

The Customer and Service Management Program includes the following functions:

Client Relations is OET's business relationship manager to the customer. It ensures that there is service value delivered that anticipates and meets customer expectations, and takes responsibility for the customer's overall satisfaction with OET services. At its highest level, Client Relations is the technology partner for the customer, driving business value by understanding customers' business and leveraging and expanding the use of technology solutions to meet changing customer business needs. Client Relations' primary sub-functions include promoting innovative technology solutions, order management, service level management, customer portfolio management, and customer communications.

OET Service Desk provides a single point of contact (SPOC) for customers/users that need assistance with any OET-provided service, 24 x 7. This can be in the form of an incident or service request. The Service Desk uses industry-leading tools that provide proactive alerts to reduce the probability of downtime. The OET Service Desk function provides the day-to-day contact point between customers, users, IT services, and third-party support organizations, and owns the incident management and request fulfillment processes.

Service Portfolio Management is responsible for managing all OET services as products over their entire lifecycle, from conception to retirement, through design, transition, operation and continual service improvement. To do so, Service Portfolio links Client Relations' understanding of customer needs and requirements with OET's Technology Development and Technology Management programs and with third party vendor partners to design and deliver the desired and marketable technology solutions. This function includes service strategy, service management, market analysis, and new service development.

Process, Controls and Improvements provides ITSM and ITIL processes, controls, and improvements for the organization.

Historical Perspective

The Customer and Service Management Program was developed as a result of the OET Change Plan, based on external customer surveys and an examination of OET's internal processes and practices. Lack of consistency in the management of both individual customers and individual OET services had, over time, resulted in significant customer dissatisfaction and led to compromises in service delivery and support. Service development occurred without sufficient business cases, cost modeling and/or customer input; numerous services were under-recovering; service support was directly provided by technical staff, leaving customers unsure of who to call or how to get help; and services were provided on a "best effort" basis, without service level agreements or metrics.

The Customer and Service Management Program was created in 2008 to focus on effective IT service management and to serve as the primary communications channel with OET customers.

Key Program Goals & Measures

Key measures for Customer and Service Management:

- regular meetings with customer technical and business leadership to review service status, upcoming plans, and service level performance;
- customer satisfaction as measured in regular surveying instruments and interviews;
- satisfactory service level performance measured through effective customer-facing metrics and service level agreements;
- services appropriately sourced (in-sourced, out-sourced, or partnerships) to ensure the highest level of service and competitive pricing;
- services operating at break-even level and/or strategies to move non-performing services through service improvements or alternative service sourcing;
- successful continual service improvement program;
- business cases and appropriate governance for all new service development;
- logging of all incidents and requests through Service Desk; and
- decrease of incidents through effective problem and event management.

Customer and Service Management's key accomplishments for FY2010 include:

- developed a service development meta process to be used for new service development, service retirement and substantial adds / changes to an existing service;
- developed customer-facing service catalog (MN.IT);
- established the OET Service Desk as the single point of contact (SPOC) for all incidents and requests, and developed a new, integrated customer-facing incident and request management system that will improve incident reporting and tracking;
- implemented a *back office* incident management system which provides robust metrics to continually improve the products and services OET offers;
- launched the Service Strategy Team, an enterprise governance group, to advise on viable strategies related to those product lines / sub-groupings that are under-recovering, and to provide feedback and input in the new service development and sourcing processes;
- developed a process for reviewing service performance and determining the appropriate "sourcing" of individual OET services;
- set up and implemented internal service teams for each service to bring together the appropriate financial, technology, security, architecture and service portfolio expertise to make recommendations regarding respective services definitions, performance, rates and service life cycles;
- built the relationship and established regular meeting schedules with 19 of the top 24 customers' CIO/IT leaders. Fifteen months ago there was only one such relationship with regular meetings;
- piloted the account manager "day-on-site" concept to make account managers more readily available to customers on a regular basis, and to provide more opportunity to learn their business;
- facilitated a new forecasting method that better predicts service volumes for the purpose of availability planning and rate-setting;
- initiated metrics and regular reporting for key process areas, beginning with incident, problem, and change management; and

- led successful service development and introduced several key enterprise technology services focused on improving state technology and business productivity and performance, in keeping with the Minnesota iGov tactical plan for enterprise initiatives. These include:
  - deployed Enterprise Email, Email Archiving, and SharePoint services;
  - developed a utility data center co-location service that will enable the data center strategy to maximize the states' data center utilization by reducing overall data center footprint and supporting infrastructure, reducing risk and increasing resiliency;
  - provided service enhancements and improvements in audio conferencing, net/web conferring, and video conferencing;
  - planned future improvements for utility services, data center services, IP telephony, voicemail, long-distance, and Centrex services; and
  - built strategic partner relationships to drive deployment and adoption of new unified communication and collaboration services.

Program Funding

Customer and Service Management is funded through the enterprise technology fund by cost recovery / chargeback rates.

In FY 2011, Customer and Service Management has budgeted for approximately 59.2 FTEs. If funding and FTEs migrate from other agencies as a result of utility services, co-location, or other consolidations, the FTE count may increase, typically with corresponding decreases in other agencies.

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Dollars in Thousands

	Current		Governor Recomm.		Biennium
	FY2010	FY2011	FY2012	FY2013	2012-13
Expenditures by Fund					
Statutory Appropriations					
Enterprise Technologies	806	7,450	7,271	7,447	14,718
Total	**806**	**7,450**	**7,271**	**7,447**	**14,718**
Expenditures by Category					
Total Compensation	531	5,408	5,442	5,567	11,009
Other Operating Expenses	275	2,042	1,829	1,880	3,709
Total	**806**	**7,450**	**7,271**	**7,447**	**14,718**
Expenditures by Activity					
Customer & Service Management	806	7,450	7,271	7,447	14,718
Total	**806**	**7,450**	**7,271**	**7,447**	**14,718**
Full-Time Equivalents (FTE)	**5.0**	**60.2**	**60.1**	**60.1**	

Dollars in Thousands

	Actual FY2010	Budgeted FY2011	Governor's Recomm. FY2012	Governor's Recomm. FY2013	Biennium 2012-13
Non Dedicated Revenue:					
Total Non-Dedicated Receipts	**0**	**0**	**0**	**0**	**0**
Dedicated Receipts:					
Departmental Earnings (Inter-Agency):					
Miscellaneous Special Revenue	715	1,287	591	591	1,182
Enterprise Technologies	85,565	89,415	93,655	95,237	188,892
Grants:					
Federal	0	290	510	0	510
Other Revenues:					
Miscellaneous Special Revenue	3,992	5,072	5,072	5,223	10,295
Enterprise Technologies	43	250	75	75	150
Total Dedicated Receipts	**90,315**	**96,314**	**99,903**	**101,126**	**201,029**
Agency Total Revenue	**90,315**	**96,314**	**99,903**	**101,126**	**201,029**