



March 31, 2017

Representative Sarah Anderson, Chair
House State Government Finance Committee
583 State Office Building
Saint Paul, MN 55155

Representative Anderson,

I write to express the concerns of the Office of MN.IT Services related to House File 691, the House's State Government Finance omnibus bill.

As the state agency charged with securing and protecting citizen data and ensuring the availability of state agency technology systems, we are particularly concerned that House File 691 provides no new funding to address immediate cybersecurity needs and cyber threats facing the state. The volume and sophistication of cyber-attacks targeting the State of Minnesota and other government and private sector organizations has grown exponentially in recent years. With so much of government functions and services reliant on IT systems, there is little risk of overstating the potential impact to state government of a catastrophic breach or takedown of state technology systems. These risks must be recognized in terms of their financial impact, their impact to ongoing delivery of critical government services, and their impact to the public's trust in their government. Once recognized, additional resources must be devoted to bolstering the State's cyber defenses by updating existing cybersecurity tools, procuring leading private sector cybersecurity services, and increasing staffing levels on the State's cybersecurity team.

In one sense, House File 691 aligns with the Governor's recommendations in the area of cybersecurity by requiring MN.IT to reduce the number of state datacenters from the current 27 down to six; however, the bill includes none of the roughly \$14 million requested by MN.IT in order to accomplish this objective. Consolidating and reducing the State's current datacenter footprint down to a more manageable number is the only cost-effective route to ensuring more secure data center operations - a critical step in bolstering Minnesota's cybersecurity defenses. But without the funding required to carry out data center consolidation, the language in House File 691 amounts to an unfunded mandate with which MN.IT will be unable to comply. MN.IT has made significant progress on data center consolidation, reducing the number of state data centers from 49 in 2011 to the current number of 27 as funding was identified to support the effort. It is imperative that the pace of this consolidation be accelerated, however, and such an acceleration cannot occur without the Legislature devoting resources to the effort.

658 Cedar Street, St. Paul, MN 55155

House File 691 also fails to fund any of the needed enhancements recommended by Governor Dayton to strengthen the State's enterprise cybersecurity program with updated tools, services and staff. As a result, no funding would be available for:

- Needed vendor services including denial of service attack protection, penetration testing, after-hours monitoring, and cybersecurity insurance;
- Advanced cybersecurity tools and their ongoing support; or,
- Cybersecurity staff needed to take action and address vulnerabilities based on the information those security tools provide.

House File 691 would also require MNIT to reduce enterprise services personnel costs by \$3 million in the upcoming biennium. MNIT is planning for reduced personnel costs in the area of enterprise services in the upcoming biennium, but the amount in the bill exceeds those planned reductions. We are concerned that reductions of this level will reduce the quality of service we can provide to state agencies and reduce our ability to manage agencies' transition to consolidated services, particularly if none of the funding requested for data center consolidation is appropriated to enable the consolidation of hosting environments to a reduced footprint that could be managed effectively with fewer enterprise services personnel.

To be clear, the data center consolidation and transition of agencies to consolidated, enterprise IT services was never been funded by the Legislature when IT Consolidation was passed into law. House File 691 continues this practice by adding additional unfunded mandates with statutory completion deadlines that are made even more challenging by the mandated reductions in enterprise services personnel. Like any private sector company that has gone through a merger or IT consolidation initiative, the State must dedicate resources to the development and migration of IT functions from a distributed to a centralized state in order to reap the long-term efficiencies that result from consolidated operations. Booking savings from a government service redesign initiative without funding the work required to realize such a redesign is not a realistic proposition.

The Governor's proposed investment in roughly \$27 million for the upcoming biennium (and roughly \$5 million per year ongoing) reflect the level of investment needed for MN.IT to effectively secure state information technology infrastructure, complete the consolidation of state data centers to a more manageable and efficient footprint, and respond to growing cyber threats targeting citizen data and government systems. I urge you to reconsider full funding of this imperative request.

In addition to the \$27 million requested to bolster cyber defense of the State's IT infrastructure, House File 691 also fails to fund proposed investments to secure the software applications that run on MN.IT's IT infrastructure. Included in Governor Dayton's cybersecurity investment package was roughly \$18.2 million for the biennium to increase security, support disaster planning and recovery, and ensure optimal operation of Minnesota Management and Budget's enterprise systems. These systems support accounting, payroll processing, and human resource functions for the entire executive branch and house a large volume of sensitive financial and personal data.

In 2015, systems performing similar human resources functions for the federal government at the Office of Personnel Management were breached, resulting in the theft of roughly 21.5 million personal records and costing the federal government over \$133 million for identity theft protection services alone. MMB's enterprise systems, including SWIFT (the Statewide Integrated Financial Tools) are the backbone to operation and delivery of state government functions and services. SWIFT was first implemented in 2011, has not been upgraded since that time, and will soon be out of software support, making it increasingly vulnerable to intrusion and potential breaches. The State of Minnesota wisely invested in this industry-leading enterprise resource planning software – software that is utilized by private sector companies across the globe to support business functions of similar size and complexity. But, like any of our counterparts in the private sector, the value of this investment for the State can be maintained only if we continue to invest in the maintenance and periodic upgrade of the software in alignment with the vendor's timeline for product improvement and support. Failure to upgrade such a product on a reasonable timeline will eventually result in the need for a full replacement of the system – an outcome that would require significantly more resources than those being requested this session.

Again, I encourage you to reconsider full funding of the Governor's proposed investments in cybersecurity. As always, I am available to answer questions or provide any information you may need as budget deliberations continue.

Sincerely,

A handwritten signature in black ink, appearing to read "A. Baden Jr.", written in a cursive style.

Thomas A. Baden Jr.
Commissioner and State Chief Information Officer

CC: Rep. Sheldon Johnson, Rep. Jim Knoblach, Rep. Lyndon Carlson