

Reboot from the MN shutdown: Important RFP and big changes to state IT and procurement

Posted At : July 28, 2011 11:56 AM | Posted By : Chris Cotner

Related Categories: Technology Trends, State & Local

The history

If you read my previous blogs ([here](#), and [here](#)), you already know that Minnesota has been through the ringer with its government shutdown. In fact, the 20-day stoppage was the longest in U.S. history. The standoff ended on July 20, 2011, when the governor finally signed the budget (I predicted the deal on July 19 in my previous blog – pretty close).

The state needed to solve a budget deficit of \$3.4 billion to \$5 billion, depending on the source. However, all sources agreed that after the first round of legislative budget wars, there was a \$1.4 billion gap between the Republican and Democratic plans that needed to be closed. The Republicans suggested deeper cuts, but also suggested borrowing more from future budgets (K-12 schools) and receipts (tobacco). Governor Dayton wanted to raise taxes on the wealthiest Minnesotans and cut less.

The result was a plan with big compromises from both sides. "I'm not particularly happy with this budget I've just signed into law ... I signed it because otherwise Minnesota wouldn't go back to work," Dayton said.

My recap and analysis below includes the political fallout, important procurement changes, and major IT implications coming out of the turmoil.

The anger

Voters in the state are angry, and the political turmoil will have definitive consequences considering both sides expended precious capital in the battle.

One Democrat voter said, "Let's vote them all out because they just can't even work together." A Republican voter indicated similar distaste: "Their deal is to financially manage the state, which clearly means they didn't do their jobs."

University of Minnesota political science professor Larry Jacobs also had a say in the matter. "The legislators are going to be first exposed to what might be rageful voters looking to punish politicians who contributed to the shutdown," he predicted.

Former Lt. Governor candidate and writer Annette Meeks also believes 2012 "will be the Wild West of elections" for Minnesota.

Former Minnesota Representative Matt Entenza summed up the problem as bitter partisan politics in the state. "In Minnesota politics, we've moved backwards, and now we're to a point where compromise is a dirty word. You hear a lot of politicians say, 'Well, I can't compromise because if I compromise, the voters who I listen to are going to be mad at me.' And that makes for a state in a lot of gridlock."

Despite the rhetoric and potential political backlash, Minnesota is slowly getting back to business. This is good news for all contractors interested in doing business with the state. However, it will not exactly be business as usual, as the new budget changed law governing both procurement and IT. The changes bring good news both for the state and the vendor community.

The future of procurement

The state is looking more toward strategic sourcing as a methodology for procurement, which is a big change. By September 11, 2011, the commissioner of administration will issue a request for proposals (RFP) to promote the use of data analytics for efficiencies in strategic sourcing. Here are the details:

1) RFP basics - RFP may require the vendor to provide recommendations for improvements to methods used by the commissioner to analyze and reduce spending on goods and services including:

- Spend analysis
- Product standardization
- Contract consolidation
- Negotiations

- Multiple jurisdiction purchasing alliances
- Reverse and forward auctions
- Life-cycle costing
- Other procurement techniques

2) Proof of concept – The RFP may require the vendor to enter into a proof-of-concept phase demonstrating the cost savings to be achieved through the recommendations. Proof of concept will be at no cost to the state.

3) Vendor selection - Should be selected by January 1, 2012.

4) Progress report – The Commissioner of Administration must provide a report describing progress made to the governor and legislature by January 15, 2012.

In brief, this is a liquid gold opportunity for contractors willing to work proactively, collaboratively, and strategically with the state in determining the direction of future procurement. Come with data about both process and product to win. In lean times, states want to be educated about how to best do business. So, the winning bidder must be willing to not only educate, but also demonstrate how the state can and will save money. Minnesota is serious about saving money, and this RFP makes saving money through procurement a necessity. In the end, strategic positioning with the state and partnerships with other vendors make this a significant opportunity with the potential for many hidden wins moving forward.

Note: GovWin has a [tracked opportunity](#) (subscribers only) for a related RFP already released by the state. This legislation may either be clarification and codification of the already existing opportunity or may be expansion of the opportunity. Stay tuned as GovWin further researches this and other related solicitations.

The future of IT

A legislative surprise coming out of the reboot is an overhaul of IT governance and procurement. Included in the new legislation is a consolidation of most IT functions to the Minnesota Office of Enterprise Technology. The details and implications are outlined below.

Office of Geospatial Information

- Led by the Geospatial Information Officer, who is appointed by the Chief Information Officer (leadership changed from Department of Administration)
- CIO now has the authority to determine when geospatial resources are more cost effective when shared across agencies
- CIO now has the authority to determine rates of reimbursement, fees, and payments from other agencies for geospatial services
- CIO is now responsible for creating an agency advisory board, including appointing officers

IT and the Office of Enterprise Technology (OET)

A. CIO - responsible for providing or entering into managed services contracts for the provision, improvement, and development of the following information technology systems and services to state agencies:

1. State data center
2. Mainframes including system software
3. Servers including system software
4. Desktops including system software
5. Laptop computers including system software
6. Data network including system software
7. Database, electronic mail, office systems, reporting, and other standard software tools
8. Business application software and related technical support services
9. IT Help desk for items 1-8.
10. Maintenance, problem resolution, and break-fix for the components listed in 1-8
11. Regular upgrades and replacement for the components listed in 1-8
12. Network-connected output devices

B. State IT employees - All state agency employees who directly perform the IT functions outlined above (including those who provide administrative, managerial, and support services to those employees) are now considered employees of the OET. The CIO may assign employees of the OET to work exclusively for another

agency.

C. Other agencies' IT procurement – Other state agencies may procure goods and services normally under the authority of the OET if the CIO and the agency together determine that such a contract would provide the best value. The CIO can require any contracts secured by outside agencies to be compatible with statewide standards.

D. Other agencies not included - The Minnesota State Retirement System, the Public Employees Retirement Association, the Teachers Retirement Association, the State Board of Investment, the Campaign Finance and Public Disclosure Board, the State Lottery, and the Statewide Radio Board are not state agencies for purposes of the new law. The OET will report to the legislature on the desirability and feasibility of entering into service agreements with the above agencies by January 15, 2014.

E. Technology Advisory Committee - The Technology Advisory Committee is created to advise the CIO. The committee consists of six members appointed by the governor, with one member appointed by the governor as a representative of a union that represents state information technology employees, and one member appointed by the governor to represent private businesses. Advising duties of the committee include:

- Development and implementation of the state information technology strategic plan
- Critical information technology initiatives for the state
- Standards for state information architecture
- Identification of business and technical needs of state agencies
- Strategic information technology portfolio management, project prioritization, and investment decisions
- The office's performance measures and fees for service agreements with executive branch agencies
- Management of the state enterprise technology revolving fund
- The efficient and effective operation of the office

F. IT grant review – The OET will now review any requests for grant funding that have an IT component.

G. IT appropriation and spending – The CIO must manage and disperse all IT-related appropriations beginning July 1, 2013. The CIO must control and direct all IT and telecommunications-related spending by July 1, 2013.

H. Transfer and transition to centralized services – All powers, duties, responsibilities, personnel, and assets relating to function assigned to the CIO are transferred to the OET from all other state agencies by October 1, 2011. Agency CIOs will transfer 30 days after final enactment.

I. Service-level agreements with other agencies and the OET – The CIO and OET must enter into service-level agreements with all other agencies for all IT services, assets, and personnel by July 1, 2012.

J. OET sunset clause – The OET will undergo sunset review by June 30, 2022.

Final Analysis

Minnesota made history in its 20-day shutdown. Through the turmoil, governance of state IT and procurement changed. I believe these changes benefit both the state and vendors. In the current economic climate, the state needs to save money. By relying more heavily upon data-driven procurement, the state can do just that. Vendors who have done their research and understand the analytics behind demonstrating real cost savings stand to make huge inroads in doing business with Minnesota. For some vendors who have not relied on detailed analytics and data to show value, this may provide a pain point. However, these same vendors now have the opportunity to grow the data and analytics that accompany their solutions. Improving the ability to quantify the value of a solution through doing business with Minnesota will increase the marketability of similar solutions to other states.

IT governance and its related power structure have certainly shifted in the state. Again, I believe this is a benefit for both the state and contractors. With virtually all IT planning and procurement being handled through the OET, vendors now have a focal point for strategic and collaborative efforts. Vendors with enterprise capabilities now have a captive audience for solutions. Other vendors able to enter into cooperative or term contracts will now have the opportunity for larger-scale procurements as the OET manages yearly purchases of commodities like IT hardware. As I indicated previously, I would also look for future consolidation efforts to be headed up by the OET. While large in scale, as demonstrated through this legislation, any such consolidation projects must demonstrate cost savings.

Will the 2012 legislative session truly be the Wild West? Will current elected officials find themselves quickly shown the door? That remains to be seen. However, with Minnesota's fast-changing IT and procurement climate, vendors have immediate opportunities to make inroads.

Sources: GovWin, Minnesota S.F. No. 12, as introduced - 2011 1st Special Session [11-3590], and Minnesota Public Radio.

For a more detailed analysis, including the IT and procurement impact of each component of the new legislation, read my Analyst's Perspective, [here](#) (subscription required).

Follow me on Twitter, [here](#).