



Presentation by Secretary of State Paul D. Pate

To the Joint Administration and Regulation Appropriations Subcommittee

January 27, 2015

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Chairman Brase, Chairman Landon, Members of the Joint Administration and Regulation Appropriations Subcommittee:

Thank you for this opportunity to present information about the work and services provided by my office and our team of 24 public service professionals. It has been 16 years since I was in a similar position as I am today. Much has changed and yet much remains the same.

Since the beginning of Iowa's statehood in 1846 the Iowa Secretary of State has provided trusted and necessary services documenting and certifying the actions of Iowans and their elected officials. This remains at the center of our attention today just as it was during my previous administration. Yet during this same time span we have seen the impact of changing technologies resulting in improved productivity.

During my previous administration we annually processed hundreds of thousands of filings done by 40 professionals. Now we are processing more filings with a staff that is 37% smaller than before. How has this been accomplished? Through the implementation of new technologies and training it was accomplished.

However, we are now at the point where the technology and systems implemented a decade or more ago are reaching the end of their useful life. We must begin the process to thoughtfully update many of these systems.

The plan and budget we present today begins the process of moving forward to: 1) deliver the service levels Iowans expect; 2) encourage participation in our electoral process; and 3) secure the integrity of all our processes.

The Office of Iowa Secretary of State is composed of two divisions: Business Services and Elections. Of these the largest is Business Services.

Business Services Division

The Business Services Division is responsible for the general administration of procedures relating to filings allowed or permitted by Iowa law for corporations, limited liability companies, limited partnerships, limited liability partnerships, cooperative associations, uniform commercial code, mechanic's liens, notaries, transient merchants, travel agencies, trade and service marks, joint exercise of governmental powers agreements and miscellaneous documents.

Attachment (1) Filing Volumes Figure 1, Revenue Generated FY 2014 Figure 2

There are 11 different types of filings processed by the Business Services Division that generated \$5,221,259 in revenue for FY 2014. All fees are deposited in the general fund. The only fees the Secretary of State's office retains are from Notaries, Athletic Agents, Mechanic's Liens, Travel Agents and reimbursable fees from Data Extracts and Information Services annually totaling less than \$290,000.

Expenses to operate the Business Services Division for 10 staff, office supplies, printing, postage, communications and outside services not including Information Technology support is \$757,000.

Annual filings processed in calendar year 2014 totaled 300,000. The volumes of filings are generally trending up while processing resources have declined. In 1998 there were 9,688 newly formed entities. This number grew to 19,000 by 2014.

Through the use of data processing systems that were at one time cutting edge we were able to keep up with customer expectations. As filing volumes continue to increase the time to process mail-in, electronic filings and walk-in filings has increased. As a means to keep up with volumes overtime is regularly authorized to keep processing within the guidelines stated for response time in Iowa Code and Rules.

During my prior administration a change was made requiring biennial reports instead of annual reports for corporations. This efficiency move has stood the test of time and Iowa continues to be one of a handful of states that do not require annual reports for corporations. This type of efficiency move is limited in the Secretary of State's office without additional policy changes through legislation and rules. For the record I am not proposing any policy changes at this time.

(Attachment 1 figure 3)

On the Business Services Facts in Figure 3 you can see a comparison of Iowa to the national average of states with regard to filing fees. Iowa charges lower fees for nonprofit corporations compared to for-profit corporations unlike most other states. Similarly Iowa fees for corporate filings are generally lower than the national average charged by other states. With these figures you can draw the conclusion that Iowa is open for business and is cost competitive compared to other states.

I am recommending a significant upgrade and/or replacement in the Business Services processing systems that are reaching the end of their useful life cycles. This is due primarily to changes in technology. We are working with the Office of Chief Information Officer (OCIO) to review and identify solutions to the changes in core systems that are necessary to avoid a shutdown of our systems and allow modernization of business processes and filings. These are part of the Phase I Technology Reinvestment Fund requests recommended by the Governor's Budget.

Elections Division

The Secretary of State serves as the State Election commissioner and the State Registrar of Voters. In this capacity my office oversees the administration of all elections in the state and houses the statewide voter registration system.

Administration of Elections:

The Division on Elections and Voter Registration is responsible to oversee 2 statewide elections and more than 200 local special elections every year; provide training to precinct poll workers, county election administrators, city clerks, and school business officials; accept state nomination papers; prepare candidate guides; ensure that all polling places are accessible according to the requirements of the Americans for Disabilities Act; ensure that all voting machines meet federal standards and state laws; administer absentee ballots for oversees military personnel; and administer the federal Help America Vote Act (HAVA), requirements. The division also provides a web-based election night reporting system for the general and primary elections, as well as a smart phone application for voters to locate their polling place and track their absentee ballot, find their county election office, and complete a voter registration application. As a result of HAVA, the state election commissioner is required to submit numerous reports to the federal Election Administration Commission.

ELECTIONS QUICK FACTS:

2,142,572 registered voters in 2014 General Election
Growth of 269,482 (14%) since 1998 election

1,142,311 total votes cast in 2014 General Election
Highest number votes cast in a Gubernatorial Election.
Increase of 185,896 voters (19%) from
The 1998 Gubernatorial Election.

Absentee Ballots

469,185 (41%) absentee ballots cast in 2014 General Election
This represents a 194% increase in the number of ballots cast by
absentee over the last 3 Gubernatorial Elections, since 2002.

688,057 (43%) absentee ballots cast in 2012 Presidential Election
This represents a 246% increase in the number of ballots cast by
absentee over the last 3 Presidential Elections, since 2000.

Number of Elections Conducted

Odd years: 947 City and 351 School Elections
Even years: General and Primary Elections (1682 precincts)
Every Year: 150 - 200 Special Elections

Number of Registered Voters

November 4, 2014 – 2,142,572
December 1, 1998 – 1,873,090
14.4% increase

Administration of Voter Registration:

The Division on Elections and Voter Registration is also charged with oversight and maintenance of the statewide voter registration system, also known as I-VOTERS. Maintaining and updating the files is a daily task, including daily receipt of voter registration applications from the Iowa Department of Transportation (IDOT), daily receipt of felon files from county clerks of court, annual cross checks with other states, annual match against death records, annual comparisons against the US Post Office National Change of Address program, and biennial “no-activity” procedures. Each of these procedures requires programming time, verification, and scrutiny to maintain the integrity of 2.1 million files, with each file including voting history, address changes, name changes, date of birth, social security numbers.

Finally, the division also provides a number of list request services to other entities. In 2014 we processed more than 200 voter registration list requests. We pull a jury list annually, and provide felon lists to the Department of Natural Resources.

FY 2016 Budget

The State of Iowa contracts with a vendor, Arikkan Resources, to maintain and update the statewide voter registration system. The annual maintenance contract for this service is \$236,000 annually. Additionally, we pay annual software licensing fees of \$170,000. On top of this are incidental expenses to fix issues, enhance systems operations, law changes and provide technical solutions.

The Secretary of State's office has an additional contract with Arikkan to enable Election Night Reporting. In 2014 the cost for the contract was approximately \$234,000. This expense is necessary to ensure that Iowa will be able to accurately report election night totals in a timely manner.

County end users of the system pay annual maintenance fees of 13.5 cents per registered voter. This amounts to a total of about \$280,000. That funding level is not sufficient to pay the minimal annual expense of \$635,000 to maintain and operate the I-VOTERS system. That explains the FY 16 increased request of \$365,000. In short, this appropriation would pay for on-going expenses from the General Fund, rather than the now-depleted one-time funding that was available through HAVA.

In conclusion, I have requested \$450,000 in funding from the Technology Reinvestment Fund (TRF) for Phase I of a project to update and improve the Secretary of State's technology infrastructure for Business Services and Elections Division applications.

Any reductions in appropriation will result in layoffs that would have immediate impact on customer service, increased wait time and delays in election reporting.

The severity of layoffs would be directly proportional to the decrease in funding. For every 1% reduction 1 FTE lay off would take place.

Providing trusted and necessary services to lowans that help them to start businesses and safe guard their votes is the focus of this office. I will do all in my power to provide the best service possible with the resources provided; encourage participation in the electoral process; and ensure the integrity of our systems. The requests for funding are necessary and important if we are to continue providing customer service that is efficient and effectively using taxpayer resources in the way they are intended.

Thank you