

**PAUL D. PATE**  
**IOWA SECRETARY OF STATE**  
**FY 2017**  
**BUDGET PROPOSAL**



Thank you for this opportunity to discuss with you our needs to make sure the Secretary of State's Office can deliver top-notch service to the citizens of Iowa in the coming years. As an elected, constitutional official, I took an oath of office to ensure the citizens receive the services for the fees they are paying.

My office is the business portal for the State of Iowa. We are the number one referral source for the Iowa Department of Economic Development's "Iowa Source Link", for new businesses.

**HERE'S THE GOOD NEWS:** We've had more than 20,000 new business filings in our office this year. Despite some major hurdles when we took office, we have reduced the turnaround time for new business filings from 20 days to 1 day.

My goal is to make sure we provide service at the speed of business. However, to accomplish that, we need major upgrades to the technology in our office. My office is weighted down by outdated technology.

Our operational expenses continue to rise, while the appropriations for the Secretary of State's Office have remained flat for many years. We continue to process more filings, with fewer staff. We have reduced staff by almost 40% over the past three years. However, built-in staffing expenses increased 16% this year alone...

## **CHALLENGES**

### **We have a dramatic need for digitization**

Our data storage system, called a Lektriever, dates back to before Terry Branstad's first term as governor. We are literally watching history fade before our eyes...

**Outdated Technology**

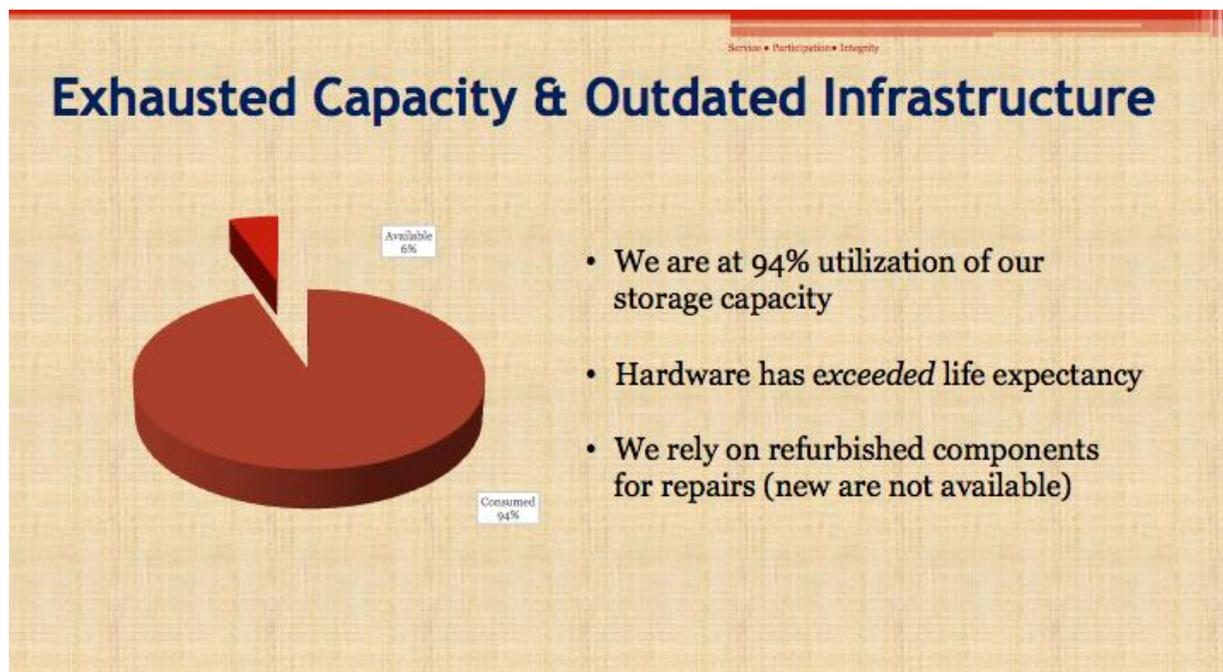
Service • Participation • Integrity

**History is Fading Before Our Eyes**

The picture is typical of a business filing from just 30 years ago. Sadly, the filing is badly faded because our data storage system is failing. This is one of a kind, irreplaceable data that we are losing... We need to digitize hundreds of thousands of images like these. That would cost approximately \$500,000.

### **We have exhausted our data storage capacity**

We are currently at 94% of our storage capacity. We are approaching the breaking point. Additionally, the hardware we use has exceeded its life expectancy and we have to rely on refurbished components for repairs because new ones are not available. We are to the point where it will soon cost more to keep repairing it than it would to purchase new hardware. Duct tape and baling wire will not keep it together.

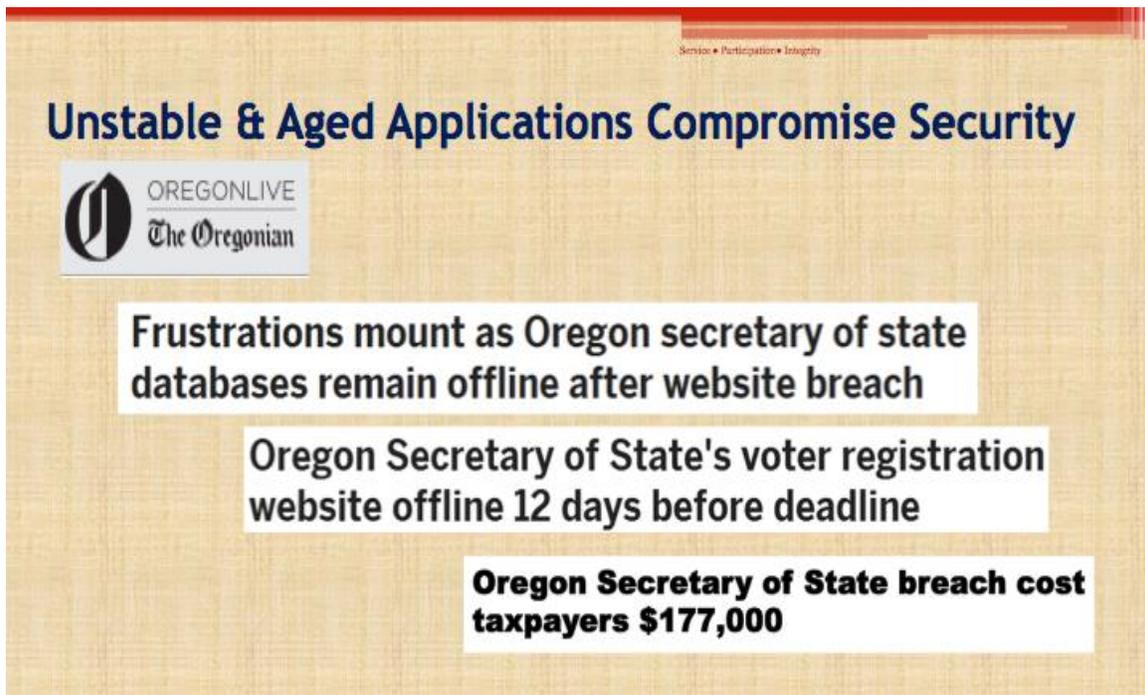


### **Our systems utilize outdated application languages**

There is diminishing technical support for our computer applications. The language is outdated. This is slowing the wheels of commerce in Iowa. We need to update these applications to a DOT-NET development platform.

Additionally, our existing election administration tools do not meet current demands, including e-poll books, increased absentee ballot requests and increased voter turnout reports. We have outdated election management tools. We have unstable applications that could fail and compromise security.

To illustrate what could happen if we do not upgrade these systems, these are actual newspaper headlines



The Oregon Secretary of State's system was hacked last year. The breach knocked their business database offline for almost three weeks, virtually stopping new commerce in the state.

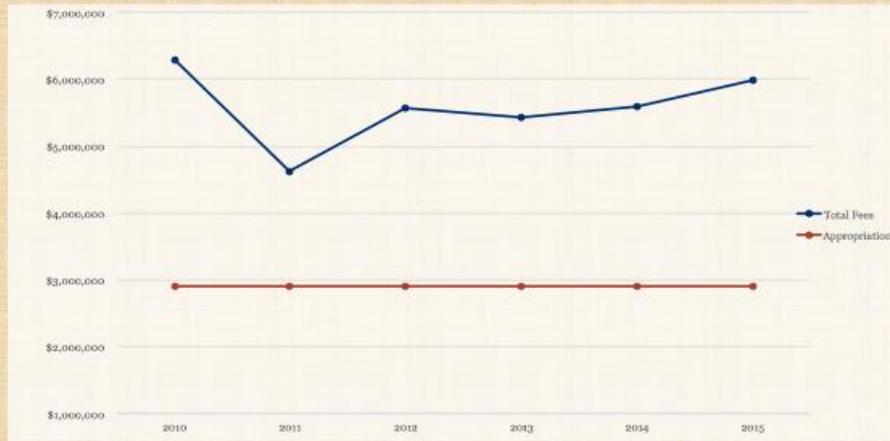
The breach cost Oregon taxpayers \$177,000. It brought business filings to a standstill. Their election database was offline 12 days before a voter registration deadline, compromising voter participation.

If we do not upgrade our antiquated systems, we could face a similar issue here, which would be catastrophic. We have no backup system for business services.

### **Filings, revenue increase while staff decreases, appropriations remain flat**

As you can see on the chart on the next page, our general fund appropriation has remained the same over the past five years. However, the revenue generated by our office has significantly increased in the last 4 years. That number rose to \$6 million this year.

## General Fund Appropriation & Fee Revenue



We are providing the best service possible under the circumstances, but we are weighted down by outdated technology.

### We are playing catch-up to the other states

We did a comparison to 25 other states. The costs for their upgrades ranged from \$3 million to \$22 million for up to a 10-year period. We believe we can accomplish our needs with \$15 million over 5 years. Right now, we are asking for a \$3.9 million down payment.

### BUDGET PROPOSAL

Infrastructure Replacement	Phase I FY16	Phase II FY17	Phase III FY18	Phase IV FY19	Phase V FY20	Phase VI FY21
Business Process Modeling Requirements RFP Generation	\$250,000	\$250,000				
Business Services Applications	\$200,000	\$1,534,536	\$1,534,536	\$1,534,536	\$1,534,536	\$1,534,536
I-Voters Applications		\$1,505,361	\$1,505,361	\$1,505,361	\$1,505,361	\$1,505,361
Project Manager Business Analyst		\$180,000	\$180,000	\$180,000	\$180,000	\$180,000
Existing I-Voters Maintenance	\$451,000	\$451,000	\$451,000	\$451,000	\$451,000	\$451,000
	\$901,000	\$3,920,897	\$3,670,897	\$3,670,897	\$3,670,897	\$3,670,897

## **SUMMARY**

I know you want the taxpayer to get the full benefit from the taxes they send to us. While we are processing more with fewer staff, we have not updated our software or hardware. We are in a state of triage.

Our office has not been able to keep up with technology because all of our fees are returned to the general fund and our appropriation is just 60% of what we generate. As a consequence, we have not been able to keep up with technology. We have not been able to move at the speed of business.

***I have shared our challenges with you today, and I would like to offer a solution...***

Other departments in state government and even executive level offices keep their fees and use those funds to provide top-notch service. When a department needs new computer software they use a portion of the fees they generate, or the hours they charge their clients to upgrade to today's technology.

Our office returns more than \$2,000,000 of fees to the general fund, without upgrading any services to our fee-paying clients. Then, at the point of a crisis, we come to state government looking for an "emergency allocation" from special funds. For FY17, I am proposing that our office retain the fees we charge our clients. This will allow us to upgrade the services they are already paying for and operate closer to the speed of business.

When I was secretary of state in the 1990's we moved from a four-page yearly renewal document for Iowa corporations to a bi-annual postcard document. We even added a new department, voter registration, to our office. Twenty years later, I have returned with fewer staff and filing more documents. Some of the machinery is degrading, software is obsolete, and many of the documents are literally fading away.

The solution is to allow us to use 100% of the fees to provide the service that business believes they are paying for. The Secretary of State's Office has gone too long without making the necessary technological upgrades. We want to offer service at the speed of business. We want to continue to conduct the fairest, cleanest elections in the country. To accomplish that, these upgrades are vital. Thank you very much for your time.

Sincerely,

Paul D. Pate  
Iowa Secretary of State