

SECRETARY OF STATE
STATE OF INDIANA
200 W. WASHINGTON STREET, INDIANAPOLIS, IN 46204

November 4, 2024

Indiana State Budget Committee
200 West Washington Street, Room 212
Indianapolis, IN 46204

BU 00040 Indiana Secretary of State –
BU 00063 Indiana Election Division

Secretary of State and Election Division Transmittal Letter
11/12/2024 Hearing

Indiana State Budget Committee,

For review and consideration, the Office of the **Indiana Secretary of State** respectfully submits its preliminary FY26 – FY27 budget with change requests. Pursuant to IC 3-6-4.2-9 FY26 – FY27 budget estimates for the **Indiana Election Division** with change requests are included as well.

I. Secretary of State

General Administration¹

- a. **Increased Staffing Levels:** The Office of the Indiana Secretary of State performs a broad array of constitutional and statutory duties including executive office administration, auto dealer licensing and enforcement, business and corporate registration administration, election administration, and securities registration, enforcement and consumer education and protection. Duties are preformed and services provided with a staff 85 persons. Approximately 80% of agency staff positions are professional and 20% skilled administrative and clerical. Due to recent increases in statutory directives and responsibilities covering all areas of

¹ Approximately 55% of Secretary of State's office duties and responsibilities are funded from appropriations to the agency General Fund, Voter Outreach Fund, Election Security Fund, and Voting System Technical Oversight Program (VSTOP) Fund. Approximately 45% of agency duties and responsibilities are funded from dedicated, revenue generating Auto Dealer Services and Securities Division Enforcement Funds, the Business Services Division Enhanced Access Fund, and occasional federal election security and improvement grants.

agency duties, the agency anticipates increasing staffing by 7% during the upcoming biennium. The agency requires a General Fund appropriation increase to fund 8 additional professional staff positions to support Business Services, Election Security, Information Technology and Securities licensing and enforcement.

- b. **Sustaining Investor Education and Financial Literacy Programs:** The Securities Division is directed to provide investor education and financial literacy programming utilizing: a) funds appropriated to the Secretary of State General Fund; b) a portion of Securities Enforcement Fund revenues, and grants and donations when available.² Despite the need for sustained investor protection licensing and enforcement activity, the quantum of actualized penalty and settlement funds available for investor education programs have decreased and become unpredictable. To maintain an effective level of investor education and financial literacy programming, the agency seeks a \$750,000 per FY General Fund appropriation to supplement and sustain investor education and financial literacy programming for Hoosiers.
- c. **Increases in Administrative Costs:** The agency forecasts approximately 2.5% increase in administrative (points 2 – 9) expense costs.
- d. **Increase in employer paid employee benefit costs and pay for performance:** The agency forecasts increased employer paid benefit costs and competitive pay for performance expense equal to approximately \$2,5000 per salaried employee.

Election Administration - Voter Education & Outreach

- a. Despite the Secretary of State’s extensive efforts to promote voter registration and participation throughout the state, civic health reports suggest that voter engagement in Indiana is persistently low compared to other states. In keeping with the Secretary of State’s constitutional and statutory duties as state Chief Election Officer, and specific statutory directives³ the agency requests continuation of the \$750,000 per FY appropriation to sustain voter education and outreach programming.

Election Cybersecurity for Counties

- a. The Election Security Cybersecurity Service fund is a dedicated, non-reverting fund established to accomplish the purposes of IC 3-5-4-12 (“*Agreement to use a*

² IC 23-19-6-1(f) – (i) Generally the Indiana Securities Division, the agency’s largest and functionally most diverse, is funded through the appropriation to the Secretary of State General Fund, Securities Enforcement Fund revenues (up to 45% of settlements subject to a cap) and grants and donations if any.

³ The Election Administration Voter Education and Outreach Fund is a dedicated, non-reverting fund established under IC 3-6-3.7-4 (“*Voter education outreach fund; establishment; purpose; administration*”). The fund is administered by the Secretary of State to encourage eligible Hoosiers to register to vote and vote, as well as to educate voters about changes in voting equipment and procedures and election laws.

threat intelligence and enterprise security company to provide hardware, software, and other services”). IC 3-5-4-12 provides that in the interest of election cybersecurity and integrity of the Statewide Voter Registration System (SVRS), the Secretary of State shall contract with vendors to provide counties with comprehensive IT network security between the years of 2022 and 2038. Subject to some exceptions and conditions, the statute provides that counties must enter into agreements to utilize the security services if the services are paid for by federal grants or appropriations from the General Assembly. In 2022 the state entered into a comprehensive 7-year contract with a group of top ranked vendors to provide the specified services at a fixed rate of through FY27. The agency requests continuation of the \$3,180,000.00 per FY appropriation to fund existing contracts and maintain a high level of protection for the Statewide Wide Voter Registration System (SVRS).

Voting Systems Technical Oversight Program at Ball State University

- a. The Voting System Technical Oversight Program (VSTOP) established under IC 3-11-17-6 is dedicated for election administration services provided by the Ball State University Voting System Technical Oversight Program. Services provided by VSTOP include technical review and testing of voting systems to inform the Indiana Election Commission (and general public) for certification decisions, technical review and testing of electronic pollbook systems used in county election administration, conducting post-election risk limiting audits, maintaining the official inventory of certified voting equipment in the state, training county election officials and administrators, training, testing, and certifying Statewide Voter Registration System users, service on the Indiana Executive Council on Cybersecurity Election Committee, and other consulting services. The VSTOP program is a highly important adjunct to fulfillment of the state’s overall election administration responsibilities. Due to additional statutory requirements, increased university sponsored program administrative costs, the agency requests a 30% increase funding for VSTOP for FY26 – FY77 (from \$750,000/FY to \$1,072,000/FY).

II. Election Division

General Administration

- a. The Indiana Election Division is responsible for election administration and legal compliance activities involving the federal government and laws, state government, county election administration, political campaigns, candidates for office and voters. The Election Division plays a role in administration of the Indiana Election Division, Indiana Recount Commission, Statewide Voter Registration System VSTOP program, as well as implementation and compliance for the Help America Vote Act, National Voter Rights Act, National Voter Registration Act, Americans with Disabilities Act, and Military and Overseas

Voter Empowerment Act. The Election Division is administered by a 10 member, bi-partisan staff consisting of Co-Directors, Co-General Counsels, accountants, and specialized clerical professionals. Due to increased statutory duties, the increasing technical complexity of elections and election security, increased overall administrative expenses and increases in employer paid benefits, the Secretary of State requests a 26.5% increase in the Election Division annual General Fund appropriation.

Voter List Maintenance

- a. Pursuant to federal and state law the Election Division is required, on a bi-annual basis, to *“administer a general program to confirm addresses of registered voters and consistent with federal requirements for notice and voting inactivity, assist county election administrators with removal of ineligible voters from the official list”*. The program consists of several activities including the bi-annual mailing of first-class postcards to every name on the statewide voter registration list and follow up mailings for undeliverable mail. Due to projected increases in postage rates and handling costs, the Secretary of state requests a 23% increase in the annual voter list maintenance appropriation (from \$2,250,000 to \$2,925,000 annual).

Statewide Voter Registration System

- a. Pursuant to federal and state law the Secretary of State and Indiana Election Division are responsible for providing and maintaining an electronic statewide voter registration system to support election administrators throughout the state and enable eligible Hoosier voters to easily and accessibly, register to vote and confirm or change their registration. Indiana’s Statewide Vote Registration System provides busy county clerks and election offices with a secure comprehensive election management system The SVRS is jointly managed by the Secretary of State and Election Division Co-Directors, with assistance from specialized IT vendors and independent project management consultants. The SVRS provides a highly secure virtual private network to all Indiana Counties, supports secure electronic pollbook systems, enabling vote center election administration, and provided limited, secure public-facing election services to the public. The current software platform is over 15 years old, requires extensive on-going maintenance and updating, and is assessed to be approaching the end of its functional life cycle. For continuation of operations the Secretary of State requests a 30% increase in the annual SVRS appropriation for FY26 and FY27 (from \$3,361,759 to \$4,370,286 annual).

Voter Registration System 4-Year Capital Improvement Project: Statewide Voter Registration System/Election Management System/Campaign Finance System and Election Cybersecurity for Counties – Consolidation/Modernization or Replacement.

- a. Because the current Statewide Voter Registration System is approaching the end of its useful life-cycle, relies on technology which is fast becoming outdated, and is requiring increasingly costly and time-consuming upgrades and maintenance (verified by independent review) the Secretary of State requests a \$20,000,000 special biennium capital project appropriation to procure, build and implement a new Statewide Voter Registration and Election Management System. The agency assesses that a modernized or replaced SVRS system consolidated with local election management functionality, local campaign finance reporting and administration, local election cybersecurity, will offer increased functionality and higher security with lower long-term management, updating and maintenance costs.

Conclusion

The Secretary of State believes that through careful management and execution of statutory duties and policy, the agency and Election Division will continue to provide the high level of service, accountability, and innovation that Hoosiers taxpayers expect and deserve. We would like to acknowledge with appreciation assistance from staff at the State Budget Agency and Indiana Election Division in preparing our agencies FY26-FY27 budgets and change requests. Staff are available on request to respond to questions and provide additional details.

Respectfully,

Jerold A. Bonnet, General Counsel
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