Secretary Lawson's opening statement to the Indiana Budget Committee on December 5, 2012

Ladies and Gentlemen of the Budget Committee:

It is my pleasure to sit before you today to discuss the biennial budget of the Office of the Secretary of State of Indiana.

As a former colleague, I have a full appreciation of the need to be open, honest and above all, brief in my time before you today.

To give you a refresher on the purview of the office, we have four divisions – business services, dealer services, securities and elections.

The Business Services Division is the initiation point for all corporate formation in Indiana. It is also where commercial transactions are perfected and recorded. The division annually processes more than 40,000 business registration filings and nearly 200,000 UCC lien filings. The division was at the forefront of delivering online services to consumers in the early 2000s and has been a stable in its commitment to same-day service to Indiana's small, medium and large businesses. The division's customer service levels continue to be exemplary while we've reduced staffing through attrition and retirement.

The Dealer Services Division – responsible for registering and regulating those who deal in motor vehicles – 7,200 licensed dealers in the retail, wholesale and manufacturer tiers of the motor vehicle industry. The division has made substantial gains in the last few months that are worth mentioning today: In May, the division linked its licensing system with local, state and national law enforcement and has become a strong partner with the Fusion Center. Division leaders have become proactive participants with every trade association or advocacy group to foster improved communication. The division has reduced license application turnaround times to 48 hours using reduced staff. The division's ad hoc Motor Vehicle Advisory Board has been a great outreach resource for the office. The division continues to leverage a strong relationship with the BMV and the Attorney General's office to create favorable solutions to regulatory and enforcement programs.

The Securities Division registers and regulates XXXX stock brokers XXX mortgage loan brokers and XXX investment advisors. In protecting Hoosiers' wallets over the last three years, the division has built and referred 36 cases to county prosecutors who, with the help of our prosecution assistance unit have filed 600 charges and secured 26 convictions. That includes a record number of 95 individual charges filed against alleged fraudster Jason Severs in Vigo County, and the 40-year sentence in Franklin County of convicted swindler Jason Snelling. In the last ten years, the division has secured more than $30 million in restitution orders to Hoosier victims – that includes nearly half a million against now-infamous partyboy Marcus Shrenker. To help prevent this type of debilitating fraud, the division's outreach program,

Indiana Investment Watch, has reached more than 400,000 individual Hoosiers, specifically in the elderly, newlywed and student demographic with important messages about financial literacy, being vigilant about researching investment opportunities and making good financial choices. Among our newest initiatives to help protect Hoosier investors is the Securities Restitution Fund. Using dedicated funds, with the support and blessing of the General Assembly, the office was able to make the first payment to a victim of securities fraud. These restitution payments are not intended to make a victim whole again – just to help ease the sting of these devastating frauds. We've just been made aware that there are several other victims who qualify for the restitution fund program. The office is pleased to be able to provide Hoosier investors with additional protection.

The Secretary of State is the chief elections officer. While I will rely on co-directors Brad King and Trent Deckard to address their operational funding needs, I want to point out some of the elections-related funding challenges with the exhaustion of federal Help America Vote Act funds. The State of Indiana has been fortunate to host a statewide voter registration system that is stable and productive for Indiana's 92 county clerks and election boards. The Help America Vote Act has also provided more than $69 million in voting machine upgrades, the development of SVRS, the implementation of provisional balloting procedures, polling place accessibility improvements, and changes to local election administration. All of our election-related programs over the last decade are in jeopardy of losing funding. While we will triage and prioritize what programs should continue under state funding, I want to stress that failure to continue funding some of the biggest election program – like SVRS – could plunge Indiana into a situation like that found in Florida.

I understand this is not a hearing to discuss election-related funding. My comments are simply to underscore that the Office of the Secretary of State is at a crossroads. I count myself among the many honorable Secretaries of State before me who were excellent stewards of taxpayer resources.

While I am proud to talk about the accomplishments of the office under my and previous Secretaries' tenures, I humbly come to you to talk about some of the stark realities within the office. Over the last several years, this body and the State Budget Agency struggled to keep Indiana fiscally sound by making strategic spending decisions asking agencies and offices to hit increasing reversion and reserve targets. The Office of the Secretary of State was able to make those financially responsible choices – while continuing to meet the high service expectations set by the communities we serve – by relying more and more on dedicated funds.

Predictably, however, those dedicated funds are depleted. The dedicated funds we use were primarily generated from multi-state securities enforcement actions. It is important to note that very little of our dedicated revenue comes from domestic firms, but rather from Indiana's participation in the investigation of national and multi-national firms based elsewhere. That funding model is not sustainable for a law enforcement agency such as the securities division – nor the rest of the office –

because there is no predictable source of enforcement-related revenue. Nor does it appear to be good public policy to fund the efforts of a law enforcement agency from the pockets of the entities it regulates.

The office's biennial budget request that you've been given by the State Budget Agency reflects no increase in proposed spending from this fiscal year's base operations. It does, however, shift the focus from dedicated funds – which we've said are no longer sustainable – to the general fund.

The office annually generates nearly $14 million in revenue to the General Fund. There was talk, as I was preparing this budget request, to simply tap into those fee-based revenues, and not increase our general fund request, so that I could continue saying that the Office of the Secretary of State was operating on 1990s funding levels. But as a former colleague I preferred to take the transparent route of coming before this body to ask that our base operation shortfall be addressed through a change to the blend of our revenue sources.

Thank you for your time today and for your service to the people of Indiana. I look forward to your questions.