



STATE OF MINNESOTA
Office of Minnesota Secretary of State
Steve Simon

March 27, 2017

State Government Finance Committee
State Office Building, Room 10
100 Rev. Dr. Martin Luther King Jr Blvd.
St. Paul, MN 55155

Dear Members of the State Government Finance Committee:

I write because I am very concerned about the deep cuts to the Office of the Secretary of State proposed in House File 691. I know that you have a challenging budget target, and a hard job to do. But I ask that you consider some additional information before you vote.

A few general points for your consideration:

- This proposed cut of 18.1% exceeds any one-time cut to the Office over the past two decades – including cuts that were administered in times of extreme budget shortfalls. The Office of Secretary of State is the 13th largest entity within the jurisdiction of this Committee, yet House File 691 proposes the third largest cut (as a percentage) among those top thirteen entities.
- Among the statewide constitutional offices, the proposed budget cuts the Office of the Secretary of State most significantly – by far. That approach is a departure from the previous custom of providing equal treatment, to the extent possible, for all statewide constitutional offices.
- The Office is already doing significantly more work with less staff. The Office is down to 84 staff from a 2004 high of 112 staff and consultants, and a more recent 2011 high of 111 staff and consultants.
- The Office of the Secretary of State is one of the few state agencies and the only constitutional office that is a net contributor (of roughly \$20 million) to the General Fund. A cut of this magnitude would result in a significant reduction of services and would impact the Office's ability to continue to contribute to the General Fund.
- Article I, Section 39 of the DE Amendment to House File 691 (beginning on page 23, line 23) says that “reductions must not be made to programs or services . . . that are provided directly to members of the public.” It would be nearly impossible for the Office of Secretary of State to comply with that provision. As detailed below,

and to a far greater extent than most agencies within the jurisdiction of your Committee, the Office of Secretary of State regularly provides programs and services “directly to members of the public.” Our website receives visits from over one million unique visitors per year (not merely one million “hits”) precisely because we provide so many direct services to individuals and businesses.

What follows is additional information about proposed cuts to Office divisions.

Proposed Reduction to the Business Services Division

The Office of the Secretary of State provides a net \$20 million contribution to the General Fund per biennium. The Office’s General Fund contribution has grown over the past decade due to increases in business services and through the collection of statutorily-required fees. The business functions provided by the Office are key to the agricultural, banking, general business, legal, non-bank lending, non-profit, and professional communities.

An unprecedented 20.17% reduction in the Office of the Secretary of State’s Business Services Division will require the Office to cut services – which will ultimately affect the level of the Office’s contributions to the General Fund. Cuts to the Business Services Division would mean reducing the Office’s capacity to quickly and efficiently handle the following activities:

- Business filings (on-line, through the mail and in person) – the Office currently handles approximately 445,000 business filings and orders per year, including needed subordinate filings, and certificate and copy orders. A reduction of this size would greatly reduce processing times and result in significant delays for those seeking to start a business, renew a business, or amend business filings. This budget reduction will have an impact on commerce in Minnesota by reducing these services and increasing wait and processing times for business owners and the business community.
- UCC/Tax Liens, Notary and Central Notification System filings (on-line and through the mail) – Currently the Office handles approximately 250,000 filings and orders per year, including thousands of UCC Certified Searches and copy orders. The UCC/Tax Liens and Central Notification System functions facilitate agriculture, manufacturing, and banking activity within the state. These functions are essential for lenders and borrowers, and a reduction of this magnitude will have an impact on the agricultural, manufacturing, and banking industries within Minnesota by reducing these services, and increasing wait and processing times.
- Maintaining and processing online filings and certificate & copy orders – Although the Office has worked to automate this process as much as possible, staff involvement is still required for many of these transactions and there are still several hundred that come in by mail each day. A reduction of this magnitude would result in significant delays to the processing these requests.

- Apostille and Certificate of Office services – The Office of the Minnesota Secretary of State provides authentication of public official signatures on documents to be used outside the United States of America. These Apostille and Certificate of Office Services are necessary for international business transactions, international legal proceedings, and international adoptions. A reduction of this magnitude would impact Minnesota business' ability to engage in international transactions, and impact the ability of families to complete an international adoption proceeding.
- Counter staff and direct-assistance wait times – A reduction of this size would require the Office to reduce the hours that the Business Services Division's in-person counter staff are available and the number of staff available to assist consumers in person, via telephone, or online. As a result, any individual or business seeking services of our Business Services Division would experience significantly increased wait times for assistance.

These business services are demanded by a broad spectrum of Minnesotans. The Business Services staff field over 88,000 telephone and written inquiries from citizens and financial institutions each year and the staff serves over 100 people in-person per day at the business counter for approximately 150 filings and copy/certificates orders per day.

During past budget cuts – cuts that were significantly smaller than this proposed 20.17% cut – the Office had to reduce services in all of these areas. Because of the drastic nature of this proposed cut, the Office would likely have to significantly reduce the services it provides through the Business Services Division. A cut to the Business Services Division would impede the Office's ability to provide the level of service that is necessary to spur the state's economic growth and would impact the Office's our ability to maintain its contributions to the General Fund.

Proposed Reduction to the Elections Division

The Office of Secretary of State cannot cut the core functions of its constitutional mandate related to elections. However, a 20.17% reduction to the Elections Division budget would require the Office to reduce staff, resulting in the reduction or even elimination of its support and information services to voters and local election officials.

A reduction in the budget of this size will also likely require the Office to prioritize its IT resources to the ongoing support of the Statewide Voter Registration System, and would shift IT resources from supporting election resources such as the election night results reporting system or the candidate filing system. This could result in delayed election results, and reduced information available to candidates and voters.

Finally, a reduction of this size would require the Office to discontinue producing and/or printing some items such the guides produced for local election administrators. This would ultimately shift costs to local governments and could reduce consistency of election administration in the state.

Impact of Proposed Reductions to IT Infrastructure and Cybersecurity

The proposed cut in House File 691, particularly if accompanied by a mandatory focus on those non-direct services portions of the Office, would create significant pressure to reduce or eliminate positions with responsibility over IT infrastructure and cybersecurity. Over the past decade, the Office has increased both business services and elections online resources and tools. This has resulted in greater convenience to businesses, consumers, and voters. With over a million unique visitors to the Office's website per year, I know that the public relies on these online services – and I take cybersecurity very seriously. As we have seen across the country, particularly in news coverage during the 2016 election campaign, these systems can be targets for hacking or denial of service-types of attacks. I am incredibly proud of the work our IT infrastructure and cybersecurity teams have done to ensure that our systems are protected, and am greatly concerned about the potential impact on these services.

Proposed Reduction to the Administration Division

The Office of Secretary of State's Administrative Division responsibilities include maintaining and administering the Open Appointments process, serving as the office of record for the state's official documents and session laws, answering inquiries from the public, conducting rulemaking, providing legal advice to the Office, and providing the Office's overall outreach and communication. A cut of this size would result in a reduction to these services that, in many cases, are necessary to support all of the divisions within the Office.

The Office of the Secretary of State adds both monetary value in the form of General Fund revenue and non-monetary value to our government, our businesses, and our electoral system. If the Office's budget is cut as proposed, the Office could not continue to provide the high level of service in the timely fashion that is necessary to spur the state's economic growth – and maintain the excellence of our nation-leading election system. As a result, the Office's net General Fund contributions (now at over \$20 million) could decline substantially – which would affect areas across the entire state budget.

I respectfully urge you to fund the full Office of the Secretary of State General Fund appropriation. Thank you for your consideration.

Sincerely,



Steve Simon
Secretary of State