# SECRETARY OF STATE
## STATE OF INDIANA
200 W. WASHINGTON STREET, INDIANAPOLIS, IN 46204
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December 9, 2020

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

Re:     Indiana Secretary of State Budget for FY 2022 and FY 2023

Indiana State Budget Committee:

For your review and consideration, I respectfully submit the biennial budget for the Office of Indiana Secretary of State and the Indiana Election Division.

Two years ago, no one could have anticipated the world would be where it is, in the midst of a pandemic and closing out an Indiana election that saw the highest turnout since 1992. Like many agencies, a significant portion of our previous budget went towards combating the effects of the pandemic. However, what distinguishes our responsibilities are those of election administration and cybersecurity.

I understand the Governor has requested executive agencies to revert a significant percentage of their FY21 budgets and make similar cuts in the next biennium. While we are a separately elected office, I recognize the fact that in the eyes of appropriators and in the midst of revenue shortfalls, no such distinction is made. We also recognize this as an opportunity to invest in Indiana's recovery, in hopes of returning to traditional funding levels in the future.

In recognizing the state's fiscal position, and in support of your priority to fund pandemic efforts and programs that make the largest impact to Hoosiers, we will revert at least 14.4% this fiscal year. We anticipate reverting an additional 1 – 3% as we approach the fourth quarter.

Looking forward to the next biennium, our FY22 request has been cut by 14.4% from previous funding years. FY23 includes an 8% cut and retains $400,000 for 2022 General Election voter outreach and education. However, we will make every effort to revert as much or all of these funds, depending on the strength of candidates and issues in that election year. As we have said previously, candidates and issues drive turnout, which we certainly saw this year.

In light of these cuts, the Secretary of State's Office and the Indiana Election Division's personnel and operating requests remain consistent with prior year funding levels. Since the deployment of INBiz, Indiana's business one stop portal and the development of our cybersecurity responsibilities, our staffing levels have remained constant. These two projects were and continue to be enormous undertakings. Administering these responsibilities at existing staff and operating levels has been extremely difficult, but necessary. We respectfully request that personnel and operating appropriations remain constant.

To accommodate the Indiana Election Division's budget cuts, we propose a 12% cut in voter list maintenance. However, that does not mean we're proposing a cut to voter list maintenance as a program. In fact, we believe we can conduct the necessary voter list maintenance during this biennium using existing voter list maintenance contract encumbrances combined with the reduced voter list maintenance request.

## A.  REPORT ON THE 2019 ELECTION SECURITY APPROPRIATION

In 2019, the Indiana General Assembly recognized the need to improve the State's cybersecurity posture, as it relates to elections. In determining the optimal way to protect elections, we identified that the best practice was to secure all state and county technology assets, not just those of the election offices. This strategy was developed based on data that showed election threats commonly originate from within county networks. We saw this activity on state sensors during the 2020 election cycle. To boot, all government offices face the same threats, regardless of segmentation. As a result of this approach, Indiana became a leader in the country's cybersecurity efforts, with praise from both the Department of Homeland Security and Federal Bureau of Investigations.

In this year alone, such investments have funded the detection of known and unknown cyber threats; prevented many cyberattacks instantly; analyzed network traffic, files, and endpoint activity; proactively hunted for advanced threat behavior; and responded to attacks to reduce incident response times. Over the course of 20,000 endpoint and network appliances, and in this year alone, we have blocked over 175,000 alerts, 12,500 of which have been critical to major events attributed to advanced persistent threat actors.

Additional priorities stemming from the 2016 election and serving as a justification for the 2019 capital appropriation, was the replacement of county electronic tabulation equipment. As a result, we managed the deployment of the state's Voter Verifiable Paper Audit Trail (VVPAT) project, which uses post-election audit compatible equipment to promote voter confidence. Pursuant to that request, we committed to equipping at least 10% of our county's electronic tabulation equipment with a VVPAT. With the use of federal and state funds, we were able exceed this goal by replacing or equipping over 30% of this equipment with a VVPAT.

Indiana's unique challenge is that more than half of our counties use electronic equipment produced by MicroVote, an Indiana company. As a result, we developed a "plug and play" VVPAT solution for equipment. This effort cost nearly $5,000,000 to complete and has only broadened Indiana's risk limiting audit (RLA) reach.

Pursuant to state statute, Indiana's RLA program provides statistical confidence that election outcomes are accurate by manually examining a sample of paper ballots or VVPAT records. RLAs, which are different from candidate challenges and recounts, do not confirm an election outcome is correct, but they have a large chance of detecting anomalies. Thus, the "risk limit" is the largest chance that an incorrect outcome escapes correction. Since 2018, we have, or will shortly complete, pilot RLAs in 11 counties.

Furthermore, we have worked with Indiana University's Center for Applied Cybersecurity Research (CACR), and created partnerships with multiple agencies to promote cyber information sharing, such as the Governor's Council on Cybersecurity, Indiana Sharing and Analysis Center (IN-ISAC), and IOT's Security Operations Center, among others. Through CACR, we helped counties refine and test their elections-specific incident response plans (IRP), while providing guidance to counties for their local level incident response plan development. We are currently working to transition the responsibility of IRP maintenance to the counties.

We have used approximately 75% of the election security capital fund and expect to exhaust those resources within a year. Depending on congressional or other federal funding opportunities, and once

these funds are exhausted, our dedicated Enhanced Access fund will serve as the future lifeblood of this project.

## B. ASSESSMENT OF INDIANA'S CYBERSECURITY PROFILE

In 2016, two states saw their statewide voter registration system (SVRS) breached through phishing emails. To protect Indiana's SVRS, we contracted with a major cybersecurity company to provide a comprehensive, intelligence-based election protection solution. This election protection provides our office and all 92 county offices with at least an initial layer of cybersecurity. Additionally, this program is a nonexclusive solution. It is designed to operate seamlessly alongside current network security providers, and no county is required to replace or renegotiate existing contracts with its current provider. The cybersecurity company we partner with also provides services for the state and a host of federal intelligence agencies. As of the 2020 General Election, we were deployed, in whole or in part, in 84 counties. The program provides the following solutions:

- Expands the scale and expertise of our team with defense analysts tasked with monitoring the statewide environment;
- Improves security, visibility, and response capabilities for user endpoints;
- Increases network detection and blocking of phishing email and lateral threats; and
- Enhances forensic and investigative capabilities for incident response.

Since 2019, at least seven Indiana counties experienced cyber-attacks that resulted in county information being held for ransom, forcing them to choose between paying hundreds of thousands of dollars to retain their files or losing county information. Since its deployment, this program has proven a valuable resource, thwarting attacks not captured by existing county threat detection services. Again, we are on pace to block nearly 200,000 alerts in 2020. Deployment in all counties is vital for the solution to provide maximum protection. If one county is attacked by a malicious actor, the threat is automatically blocked across the state and the relevant, anonymized and actionable intelligence distributed; thereby protecting all counties and Indiana from advance persistent threat actor activities.

While threat detection and security monitoring has proven an effective defense, our office has rolled out several parallel efforts designed to complement larger election integrity efforts beyond the comprehensive cybersecurity scope. Since 2019, we conducted county cyber health checks, which are risk-based assessments used to gauge the overall cybersecurity health of local infrastructure. Additionally, we hosted county election table-top exercises designed to test and improve incident response capabilities. While we had hoped to never use our incident response plans, this practice certainly proved useful in carrying out a successful Primary Election during a pandemic.

## C. ELECTIONS AND COVID-19

While the Indiana Election Division is answerable to each of Indiana's major political parties, there is a component of oversight by our office. As the state's Chief Elections Officer, we play a vital role in elections at the state level. Our office, alongside the Election Division, took significant steps in order to conduct both a Primary and General Election, as well as supporting services to counties and voters in the midst of COVID-19. Alongside the Indiana Election Division, we worked closely with county election officials and voters to provide information regarding our response efforts.

The Indiana Election Commission passed two substantive orders prior to the 2020 Primary Election. The first order included delaying the Primary Election to June 2, 2020, adjusting all filing deadlines accordingly, introducing no-fault absentee voting for the Primary, and adjusting requirements for county vote centers. Additionally, this order allowed voters to request an absentee ballot online by using their driver's license or social security number, providing an additional layer of convenience and security.

The second order provided a 30-day extension to Order 2020-37 and addressed parameters for in-person voting. Under this order, in-person absentee voting was moved to May 26th, requiring counties to have at least one in-person voting location open for one week prior to the Primary Election and provided for only one Saturday of in-person absentee voting on May 30, 2020. This order also allowed counties to operate out of more than one central count location, if necessary, to tally absentee ballots and accommodate social distancing guidelines.

To ensure in-person voting was as safe as possible, we supplied all 92 counties with personal protective equipment (PPE) for the Primary and General elections without disrupting traditional first responder supply chains. Using federal CARES Act dollars to purchase and ship these items, and working closely with the Indiana National Guard on distribution, our office supplied the following:

| PPE | Primary | General |
|---|---|---|
| Gloves | 300,000 pairs | 2,602,000 pairs |
| Hand sanitizer | 5,000 gallons | 10,000 gallons |
| Surface disinfectant | 5,000 gallons | 1,700 gallons |
| Face shields | 25,000 shields | 12,000 shields |
| Face masks | 200,000 masks | 1,108,000 masks |
| Microfiber towels | 70,000 towels | 102,000 towels |
| Sneeze guards | 3,100 units | 1,800 units |

We also used federal CARES dollars to engage in a robust voter outreach campaign, informing voters of voting options and recruiting poll workers. The remaining CARES dollars were used to reimburse counties for qualified expenses related to COVID, such as additional absentee materials or personnel costs. We have approximately $1,200,000 in CARES funds remaining after the election. We expect to award the balance to counties who have applied for election related reimbursements by the end of this year, as required by the federal grant.

Despite the restrictions of the pandemic, we were rewarded with high voter turnout. The Primary saw 1,084,429, or 24% of eligible voters, turnout (roughly half did so by absentee). The General saw 3,068,625, or 65% of eligible voters, which is the highest turnout since 1992. For reference:

| Year | Turnout | % In-Person | %Early/Absentee |
|---|---|---|---|
| 2020 | 65% (3,068,625) | 39% (1,202,003) | 61% (1,867,577) |
| 2016 | 58% (2,807,676) | 67% (1,873,281) | 33% (934,403) |
| 2012 | 58% (2,663,368) | 78% (2,072,974) | 22% (590,445) |
| 2008 | 62% (2,525,895) | 76% (1,924,718) | 24% (601,177) |

### D.  BUSINESS SERVICES DIVISION AND INBIZ COVID-19 RESPONSE

In 2013, the Legislature appropriated $9,200,000 in capital funding to support the development of a Business One Stop system for Indiana. Now known as INBiz, the system launched in April 2016, and has made significant milestones since. To date, INBiz has over 535,000 active users with an average of 500 – 600 new users per day, over 463,000 online Secretary of State filings submitted (YTD), over 66,000 new business registrations (YTD), and an average customer satisfaction rate of 94%.

Initially, INBiz was designed to help Hoosier business owners easily register, start, and expand their business, as well as ensure they are compliant with state laws and regulations. While INBiz still continues to make it easier for Hoosiers to do business in Indiana, it has evolved beyond our original vision by providing over 70 online services, cutting red tape, and proving to be immensely valuable in our COVID-19 response.

As state governments declared states of emergency and businesses were shutting their doors, Hoosier business owners were able to combat job loss, navigate unemployment, seek entrepreneurial guidance, and ultimately maintain momentum on the path back to normalcy through INBiz. The Business Services Division staff and INBiz project management team were required to work remotely in conjunction with Governor Holcomb's emergency order. Such an unprecedented and necessary disruption to daily operations halted other states' processes. However, the INBiz back-end allowed staff to process work remotely though online work queues. Because of INBiz, our Business Services Division did not experience any lapse in service to our constituents.

In contrast to other states that did not have the investment in technology, which crippled business owners and hurt local economies, we continued to process business filings and reinstatements in real-time. Hoosier business owners were able to continue registering with the office, make changes to business registration filings, and pay annual filing fees, among many other activities. When compared to 2018 and 2019 filing volumes, the numbers showed no impact to average INBiz online filing numbers.

As information changed and was updated frequently, the INBiz Call Center was able to provide renewed information and resources to concerned business owners. Even if a request fell outside the scope of INBiz (i.e. PPP loans), the INBiz Call Center was well equipped to provide accurate and sufficient information. The INBiz Call Center remained well above the industry standard for first contact resolution.

Per state law, remote notary functionality and continuing education became a requirement set to be available to the public by July 1, 2020. While the program was on track to launch as scheduled, the Business Services Division expedited this process to offer remote notary capabilities by March 31, 2020. As the world was shifting to a remote platform in the wake of COVID-19, the Business Services Division launched the remote notary online application process which allowed documents to be notarized via two-way audio/visual communication.

### E.  AUTO DEALERS SERVICES DIVISION COVID-19 RESPONSE

The Auto Dealer Services Division is responsible for those that make, sell, or destroy a vehicle within the state. This past spring, with BMV branches closed, consumers were unable to get temporary plates. Our office extended the expiration date of 135,754 interim plates by an additional 60 days, making the plate

valid for 105 days. A smaller set of interim plates (125,138) received a second extension in April for 30 more days as BMV branches remained closed.

### F. SECURITIES DIVISION COVID-19 RESPONSE

The Indiana Securities Division is the white-collar crime investigation and enforcement unit of state government. Securities Division personnel were able to quickly pivot to using virtual tools to finalize exams and investigations. Some of the new tools and processes will be evaluated for continued use when the office is back in-person. Staff created a number of eLearning modules and focused their attention on designing new virtual education materials.

### G. CONCLUSION

We respectfully request that the Indiana Secretary of State and the Indiana Election Division biennial appropriations for voter outreach and voter list maintenance be reduced, as discussed herein.

Thank you for your time and consideration.

Sincerely,
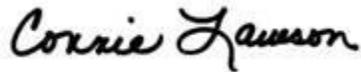
Connie Lawson
Indiana Secretary of State