

Department of State - Secretary of State

JLBC: Jake Corey
 OSPB: Monica Seymour

DESCRIPTION	FY 2003	FY 2004	FY 2005	
	ACTUAL	ESTIMATE	OSPB	JLBC
OPERATING BUDGET				
<i>Full Time Equivalent Positions</i>	38.3	40.3		40.3
Personal Services	1,156,500	1,356,700		1,356,700
Employee Related Expenditures	283,700	306,400		306,400
Professional and Outside Services	56,300	69,200		69,200
Travel - In State	7,900	10,900		10,900
Travel - Out of State	3,100	8,800		8,800
Other Operating Expenditures	352,900	314,600		314,600
Equipment	66,300	30,700		0
OPERATING SUBTOTAL	1,926,700	2,097,300		2,066,600
SPECIAL LINE ITEMS				
Election Services	3,462,700	2,285,700		3,619,500
Help America Vote Act	0	800,000		15,800,000
AGENCY TOTAL	5,389,400	5,183,000		21,486,100
FUND SOURCES				
General Fund	5,389,400	5,183,000		6,486,100
<u>Other Appropriated Funds</u>				
Election Systems Improvement Fund	0	0		15,000,000
SUBTOTAL - Other Appropriated Funds	0	0		15,000,000
SUBTOTAL - Appropriated Funds	5,389,400	5,183,000		21,486,100
Other Non-Appropriated Funds	50,800	136,200		136,200
Federal Funds	0	22,018,800		0
TOTAL - ALL SOURCES	5,440,200	27,338,000		21,622,300

CHANGE IN FUNDING SUMMARY

FY 2004 to FY 2005 JLBC

	\$ Change	% Change
General Fund	1,303,100	25.1%
Other Appropriated Funds	15,000,000	100.0%
Total Appropriated Funds	16,303,100	314.5%
Non Appropriated Funds	(22,018,800)	(99.4%)
Total - All Sources	(5,715,700)	(20.9%)

AGENCY DESCRIPTION — The Secretary of State is an elected Constitutional Officer. The Department of State is responsible for recordings and filings under the Uniform Commercial Code (U.C.C.); coordinating statewide elections; receiving required filings from legislators, state officials, judges, candidates for office, campaign committees, and lobbyists; training county elections officials; receiving filings of administrative rules, intergovernmental agency agreements, and official executive orders/proclamations; registering trade names, trademarks and limited partnerships; appointing notaries public; and certifying certain telemarketing and charitable solicitation organizations.

PERFORMANCE MEASURES	FY 2003	FY 2003	FY 2004	FY 2005
	Appropriation	Actual	Appropriation	Recommend.
• % of documents returned to public filer in 48 hours (Business Services Division)	95	95	97	97
• % of election law complaints reviewed and acted upon within 7 days	100	100	100	100
• Administration as a % of total cost	0	12.0	3.1	10.0
• Customer satisfaction rating for county election officials (Scale 1-8)	6.0	8.0	6.5	8.0

Comments: The FY 2003 Appropriation for “Administration as a % of total cost” was based on an agency estimate. Previously the agency did not categorize any expenditure as administrative.

RECOMMENDED CHANGES FROM FY 2004

Operating Budget

The JLBC recommends \$2,066,600 from the General Fund for the operating budget in FY 2005. This amount would fund the following adjustments:

Eliminate One-Time Equipment GF \$(30,700)
The JLBC recommends a decrease of \$(30,700) from the General Fund to eliminate one-time equipment.

Special Line Items

Election Services

The JLBC recommends \$3,619,500 from the General Fund for Election Services in FY 2005. This amount would fund the following adjustments:

State Elections GF 2,833,800

The JLBC recommends a one-time increase of \$2,833,800 from the General Fund to finance the 2004 state elections. This is the same amount that was appropriated for the 2002 state elections. The Secretary of State requested a total of \$3,024,100 in funding for the 2004 state elections. The JLBC does not recommend this level of funding as actual expenditures were only \$2,501,200 for the 2002 elections and \$2,647,700 for the 2000 elections. Providing the Secretary of State with \$2,833,800 will allow the agency to absorb any increases over the previous elections due to inflation or increased responsibilities.

The Election Services Special Line Item funds functions related to the conduction of elections in the state, including voter registration, certification of candidates for state office, testing and certification of voting devices for use by counties, and certification of the results of statewide elections. Funding is also used to publish the publicity pamphlet on state ballot propositions and conduct Town Hall meetings on the propositions. Finally, funding is used to register lobbyists and accept their filings.

For state elections, statute requires the Secretary of State to: 1) reimburse the counties for the costs of printing,

labeling, and postage for sample ballots; 2) pay the cost of any recount of votes; 3) reimburse the County Recorder for the costs of certifying petition and referendum signatures; and 4) print and mail a publicity pamphlet to every household with a registered voter for any initiative or referendum.

Presidential Preference Primary GF (1,500,000)

The JLBC recommends a decrease of \$(1,500,000) from the General Fund to eliminate funding for the 2004 Presidential Preference Primary.

Help America Vote Act

The JLBC recommends \$15,800,000 for the Help America Vote Act (HAVA) (P.L. 107-252) in FY 2005. This amount includes \$800,000 from the General Fund and \$15,000,000 from the Election Systems Improvement Fund. These amounts would fund the following adjustment:

Appropriation of HAVA Monies OF 15,000,000

The JLBC recommends an increase of \$15,000,000 from the Election Systems Improvement Fund to appropriate federal monies received by the fund. A.R.S. § 41-129 appropriates any HAVA funding received in FY 2003 or FY 2004 to the Secretary of State, but stipulates that funding received in subsequent fiscal years is subject to legislative appropriation. As a result, this increase reflects only a change in the fund’s status from non-appropriated to appropriated and does not represent an actual increase in resources.

In order to receive the federal payments, HAVA requires the states to provide 5% in matching funds. The FY 2005 state match would be calculated as follows:

$$\begin{aligned} (\text{Federal Payment} + \text{State Match}) * 5\% &= \text{State Match} \\ (\$15,000,000 + \$800,000) * 5\% &= \$800,000 \end{aligned}$$

The \$800,000 match is included in both FY 2004 and FY 2005.

At the time of this writing, the actual amount of the HAVA federal payment is unknown. The \$15,000,000 figure represents the estimated level of funding received by

Arizona in FY 2004. (Arizona previously received \$7,018,800 in HAVA funding in FY 2003.) The U.S. Congress is currently considering legislation to increase HAVA monies to the states. Therefore, the \$15,000,000 allocated to Arizona may change. Depending on the amount of the federal payment, the state match requirement would change correspondingly.

The JLBC further recommends amending A.R.S. § 41-129 to avoid having to double appropriate General Fund monies appropriated to the Election Systems Improvement Fund. Beginning in FY 2005, the Election Systems Improvement Fund is subject to legislative appropriation. Therefore, General Fund monies appropriated to the fund would have to be reappropriated from the fund before being expended. The JLBC recommends allowing all General Fund monies deposited in the fund be expended without a second appropriation. This recommendation would not impact the level of General Fund monies appropriated to the Election Systems Improvement Fund. (See *JLBC Recommended Statutory Changes for more information.*)

HAVA is federal election reform legislation that imposes several requirements on the states with respect to the conduct of federal elections. The legislation also provides funding to the states to meet the requirements. Funding is provided through an initial grant as well as annual payments from FY 2004 through FY 2006.

The grant is to be used to replace all punch card and lever voting machines and to improve election administration. The annual payments are to be used to meet the requirements of HAVA, including implementation of a statewide voter registration database and a voting system that meets federal standards. In order to meet federal standards, the voting system must allow the voter to verify the vote before the ballot is cast, provide the voter with the opportunity to change the ballot, and notify the voter if he or she has selected more than one candidate. In addition, the system must be accessible to individuals with disabilities.

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JLBC RECOMMENDED FORMAT — Operating Lump Sum with Special Line Items by Agency

JLBC RECOMMENDED FOOTNOTES

New Footnotes

The Secretary of State shall report to the Joint Legislative Budget Committee by December 31, 2004 the actual amount and purpose of expenditures from the Election Systems Improvement Fund in FY 2004 and the expected amounts and purpose of expenditures from the fund for FY 2005 and FY 2006.

Deletion of Prior Year Footnotes

The JLBC recommends deleting the footnote concerning the FY 2004 \$800,000 Help America Vote Act Special Line Item appropriation. The footnote is no longer needed.

JLBC RECOMMENDED STATUTORY CHANGES

The JLBC recommends amending A.R.S. § 41-129 to avoid double appropriating General Fund monies in the Election Systems Improvement Fund, retroactive to July 1, 2004. (See *Federal Payment and State Match for more information.*)

SUMMARY OF FUNDS	FY 2003 Actual	FY 2004 Estimate
Arizona Blue Book Revolving (STA2006/A.R.S. § 41-131)		Non-Appropriated
Source of Revenue: Proceeds from the sales of Arizona Blue Books and legislative appropriations.		
Purpose of Fund: To publish the Arizona Blue Book, which contains information about the state's Executive, Legislative, and Judicial Branches.		
Funds Expended	0	15,000
Year-End Fund Balance	17,400	6,400

SUMMARY OF FUNDS	FY 2003 Actual	FY 2004 Estimate
Data Processing Acquisition (STA2265/A.R.S. § 41-127)		Non-Appropriated
Source of Revenue: A special recording fee on Uniform Commercial Code filings.		
Purpose of Fund: To defray the cost of improving data processing within the Office of the Secretary of State. Any uncommitted monies in excess of \$250,000 at the close of the calendar year revert to the General Fund.		
Funds Expended	50,800	121,200
Year-End Fund Balance	208,300	210,100
Election Systems Improvement (STA2357/A.R.S. § 41-129)		Appropriated
Source of Revenue: Monies received from the United States government, matching monies from state, county or local governments, legislative appropriations, gifts, grants, and donations. Any monies deposited into the fund in FY 2003 and FY 2004 are appropriated to the Secretary of State. Monies deposited in the fund each subsequent year, including federal funds, are subject to legislative appropriation.		
Purpose of Fund: To implement the provisions of the Help America Vote Act (HAVA) (P.L. 107-252). HAVA is federal election reform legislation that imposes several requirements on the states with respect to the conduct of federal elections, including replacement of all punch-card and lever voting machines, implementation of a statewide voter registration database, and implementation of a voting system that meets federal standards.		
Funds Expended		
Funds Expended from the General Fund	0	800,000
Funds Expended from Non-Appropriated Federal Funds	0	22,018,800
Total Funds Expended	0	22,818,800
Year-End Fund Balance	7,018,800	0
Standing Political Committee Administrative (STA2426/A.R.S. § 41-128)		Non-Appropriated
Source of Revenue: Filing fees paid by standing political committees.		
Purpose of Fund: To pay the costs of administering and enforcing the campaign finance laws relating to standing political committees.		
Funds Expended	0	0
Year-End Fund Balance	23,300	37,500

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