

Secretary of State: The Honorable Jan Brewer

JLBC Analyst: Leah Ruggieri

	FY 2005 Actual	FY 2006 Estimate	FY 2007 Approved
<b>OPERATING BUDGET</b>			
<i>Full Time Equivalent Positions</i>	40.3	42.3	48.3 <sup>1/</sup>
Personal Services	1,185,500	1,365,000	1,552,700
Employee Related Expenditures	311,500	393,000	498,200
Professional and Outside Services	35,600	50,000	50,000
Travel - In State	6,800	10,900	10,900
Travel - Out of State	11,000	13,200	13,200
Other Operating Expenditures	437,900	472,900	752,900
Equipment	7,200	0	0
<b>OPERATING SUBTOTAL</b>	<b>1,995,500</b>	<b>2,305,000</b>	<b>2,877,900</b>
<b>SPECIAL LINE ITEMS</b>			
Election Services	2,907,600	810,600	4,361,000 <sup>2/</sup>
Help America Vote Act	742,400	40,000,000	20,000,000
<b>AGENCY TOTAL</b>	<b>5,645,500</b>	<b>43,115,600</b>	<b>27,238,900<sup>3/4/</sup></b>
<b>FUND SOURCES</b>			
General Fund	5,598,400	3,115,600	7,074,000
<u>Other Appropriated Funds</u>			
Election Systems Improvement Fund	47,100	40,000,000	20,000,000
Professional Employer Organization (PEO) Fund	0	0	164,900
<b>SUBTOTAL - Other Appropriated Funds</b>	<b>47,100</b>	<b>40,000,000</b>	<b>20,164,900</b>
<b>SUBTOTAL - Appropriated Funds</b>	<b>5,645,500</b>	<b>43,115,600</b>	<b>27,238,900</b>
Other Non-Appropriated Funds	92,800	307,700	265,600
<b>TOTAL - ALL SOURCES</b>	<b>5,738,300</b>	<b>43,423,300</b>	<b>27,504,500</b>

**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.

	FY 2003 Actual	FY 2004 Actual	FY 2005 Actual	FY 2007 Approved
<b>PERFORMANCE MEASURES</b>				
• % of documents returned to public filer in 48 hours (Business Services Division)	70	75	70	85
• % of election law complaints reviewed and acted on within 7 days	100	100	100	100

<sup>1/</sup> Includes 10 FTE Positions funded from Special Line Items in FY 2007.

<sup>2/</sup> Any transfer to or from the amount appropriated for the Election Services Special Line Item shall require review by the Joint Legislative Budget Committee. (General Appropriations Act footnote)

<sup>3/</sup> The Secretary of State shall report to the Joint Legislative Budget Committee and the Governor's Office of Strategic Planning and Budgeting by December 31, 2006 the actual amount and purpose of expenditures from the Election Systems Improvement Fund in FY 2006 and the expected amounts and purpose of expenditures from the fund for FY 2007 and FY 2008. (General Appropriation Act footnote)

<sup>4/</sup> General Appropriation Act funds are appropriated as an Operating Lump Sum with Special Line Items by Agency.

## **Operating Budget**

The budget provides \$2,877,900 for the operating budget in FY 2007. This amount consists of:

	<b>FY 2007</b>
General Fund	\$2,713,000
Professional Employer Organization Fund	164,900

These amounts include an increase of \$128,100 for statewide adjustments. This amount consists of:

General Fund	125,600
Professional Employer Organization Fund	2,500

*(Please see the Statewide Adjustments section at the end of this Appropriations Report for details.)*

The budget also includes the following adjustments:

### **High Speed Copier**

The budget provides a one-time increase of \$200,000 from the General Fund in FY 2007 to replace the agency's high speed copier. The copier is utilized to publish a number of documents, such as Chapter Laws, the Administrative Code and Register, and notary handbooks. The agency's current copier is more than 13 years old and is frequently in need of repairs. The replacement copier will have networking capabilities, eliminating the need to scan individual documents and allowing documents to be posted to the web.

### **Professional Employer Organization FTE**

The budget provides an increase of \$162,400 and 2 FTE Positions from the Professional Employer Organization Fund in FY 2007 to administer the registration of Professional Employer Organizations (PEO) and create a database for use by the general public. A PEO is a company that contractually assumes and manages human resources, employee benefits, payroll and workers' compensation for its clients. Over 150 PEO's conduct business in the state of Arizona. The FY 2007 approved amount includes \$80,000 in one-time equipment monies to create the database.

Laws 2005, Chapter 212 required, as of March 1, 2006, all PEO's conducting business in the state of Arizona to annually register with the Secretary of State's office. To successfully register, a PEO must submit documents detailing the operational and financial status of the organization. In addition to reviewing each registration application for statutory compliance, the Secretary of State's office is charged with investigating any allegations of malfeasance and maintaining a database of registered PEO's for public use. Chapter 212 also established the Professional Employer Organization Fund, which consists of PEO registration and renewal fees.

## **Business Services Division**

The budget provides an increase of \$82,400 and 2 FTE Positions from the General Fund in FY 2007 to address an increase in the number of applications for new notaries filed with the Business Services Division. The turnaround time for processing these applications doubled from an average of 5 business days in FY 2004 to 10 business days in FY 2005. With the additional funding, the Secretary of State's office projects the turnaround time will return to 5 days in FY 2007.

## **Special Line Items**

### **Election Services**

The budget provides \$4,357,500 and 10 FTE Positions from the General Fund for Election Services in FY 2007.

The approved amount includes an increase of \$44,900 from the General Fund for statewide adjustments. The budget also includes the following adjustments:

### **Election Services Division**

The budget provides an increase of \$105,500 and 2 FTE Positions from the General Fund in FY 2007 to address increased workload in the Election Services Division. New federal and state laws, such as the Help America Vote Act and the Citizens' Clean Election Initiative, have added to the Division's responsibilities related to statewide voter registration, election training and support, campaign finance, and voter fraud.

### **State Elections**

The budget provides a one-time increase of \$3,400,000 from the General Fund in FY 2007 to finance the 2006 state primary and general elections. This amount represents an increase of \$566,200 over the \$2,833,800 amount appropriated to the Secretary of State to conduct the primary and general elections held in 2000, 2002 and 2004. This additional amount was appropriated to the Secretary of State in FY 2007 to cover expected increases in costs due to a higher number of registered voters in the 2006 elections, new federal and state laws, and additional voter education.

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 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.

**Help America Vote Act**

The budget provides \$20,000,000 from the Elections Systems Improvement Fund for the Help America Vote Act (HAVA) (P.L. 107-252) in FY 2007. The amount includes the following adjustment:

**HAVA Appropriation Reduction**

The budget provides a decrease of \$(20,000,000) from the Election Systems Improvement Fund in FY 2007 to reduce the appropriated level of HAVA funding to \$20,000,000, which would equal expected FY 2007 expenditures. This decrease does not represent a reduction in the overall level of funding provided for HAVA, but rather the appropriation of most of the remaining amount of unexpended Federal Funds deposited into the Election Systems Improvement Fund. A total of \$40,000,000 was appropriated from the Election Systems Improvement Fund in FY 2006. The Secretary of State now estimates FY 2006 expenditures will be \$20,000,000. Any unused monies will revert back to the Election Systems Improvement Fund at the end of FY 2006, thereby requiring a new FY 2007 appropriation.

Table 1 lists HAVA expenditures from FY 2004 – FY 2007:

<b>Table 1</b>	
<b>HAVA Expenditures</b>	
FY 2004	\$4,556,400
FY 2005	\$742,400
FY 2006	\$20,000,000
FY 2007	<u>\$20,000,000</u>
<b>Total</b>	<b>\$45,298,800</b>

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. To date, the Secretary of State has received a total of \$50,676,300 in HAVA funding. This includes revenue from the following sources listed in Table 2:

<b>Table 2</b>	
<b>HAVA Funding</b>	
Federal Funds	\$47,688,100
5% GF Match	2,200,000
Interest	<u>788,200</u>
<b>Total</b>	<b>\$50,676,300</b>

HAVA expenditures in FY 2004 – FY 2007 account for all but \$5,377,500 of total HAVA funding. This amount plus

accumulated interest will be spent in FY 2008 and subsequent fiscal years to maintain and upgrade software purchased to meet HAVA requirements.

Arizona HAVA grant monies are being used to replace all punch card and lever voting machines and to improve election administration. Arizona HAVA annual payments monies are being 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 1 candidate. In addition, the system must be accessible to individuals with disabilities.

**Additional Legislation**

**Ch. 394 Election Reform; Manual Count**

Laws 2006, Chapter 394 adds several requirements to existing election laws relating to the reduction of wait times at polling places and requires that, in addition to the electronic tabulation of ballots, hand counts are performed in primary, general and presidential preference elections. In each of the 15 counties, hand counts will be performed for 2% of the precincts, or 2 precincts, whichever is greater, with the possibility of additional hand counts if the electronic tabulation of ballots cast does not match the hand count. The legislation also specifies that electronic voting systems must print a voter’s selections on durable paper for their verification and to be used in manual audits and recounts.