

Department of State - Secretary of State

JLBC: Jenna Seplow
 OSPB: Jay Baughman

DESCRIPTION	FY 2006 ACTUAL	FY 2007 ESTIMATE	FY 2008 JLBC	FY 2009 JLBC
OPERATING BUDGET				
<i>Full Time Equivalent Positions</i>	42.3	48.3	48.3	48.3
Personal Services	1,231,700	1,552,700	1,552,700	1,552,700
Employee Related Expenditures	351,500	488,100	483,600	483,600
Professional and Outside Services	63,300	50,000	50,000	50,000
Travel - In State	9,300	10,900	10,900	10,900
Travel - Out of State	5,000	13,200	13,200	13,200
Other Operating Expenditures	569,200	523,000	645,000	603,400
Equipment	0	240,000	0	0
OPERATING SUBTOTAL	2,230,000	2,877,900	2,755,400	2,713,800
SPECIAL LINE ITEMS				
Election Services	795,700	4,361,000	4,361,000	4,361,000
Help America Vote Act	9,754,200	20,000,000	15,000,000	4,000,000
AGENCY TOTAL	12,779,900	27,238,900	22,116,400	11,074,800

FUND SOURCES				
General Fund	3,303,500	7,074,000	7,021,600	6,980,000
<u>Other Appropriated Funds</u>				
Election Systems Improvement Fund	9,476,400	20,000,000	15,000,000	4,000,000
Professional Employer Organization (PEO) Fund	0	164,900	94,800	94,800
SUBTOTAL - Other Appropriated Funds	9,476,400	20,164,900	15,094,800	4,094,800
SUBTOTAL - Appropriated Funds	12,779,900	27,238,900	22,116,400	11,074,800
Other Non-Appropriated Funds	191,000	185,000	160,000	160,000
TOTAL - ALL SOURCES	12,970,900	27,423,900	22,276,400	11,234,800

CHANGE IN FUNDING SUMMARY	FY 2007 to FY 2008 JLBC		FY 2007 to FY 2009 JLBC	
	\$ Change	% Change	\$ Change	% Change
General Fund	(52,400)	(0.7%)	(94,000)	(1.3%)
Other Appropriated Funds	(5,070,100)	(25.1%)	(16,070,100)	(79.7%)
Total Appropriated Funds	(5,122,500)	(18.8%)	(16,164,100)	(59.3%)
Non Appropriated Funds	(25,000)	(13.5%)	(25,000)	(13.5%)
Total - All Sources	(5,147,500)	(18.8%)	(16,189,100)	(59.0%)

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 2004 Actual	FY 2005 Actual	FY 2006 Actual	FY 2008 JLBC
• % of documents returned to public filer in 48 hours (Business Services Division)	75	70	70	70
• % of election law complaints reviewed and acted on within 7 days	100	100	100	100

CHANGES FROM FY 2007

Operating Budget

The JLBC includes \$2,755,400 and 38.3 FTE Positions for the operating budget in FY 2008 and \$2,713,800 and 38.3 FTE Positions for the operating budget in FY 2009. These amounts consist of:

	<u>FY 2008</u>	<u>FY 2009</u>
General Fund	\$2,660,600	\$2,619,000
Professional Employer Organization Fund	94,800	94,800

These amounts would fund the following adjustments:

Standard Changes	GF	(200)	(200)
	OF	(100)	(100)

The JLBC includes a decrease of \$(300) in FY 2008 and FY 2009 for standard changes. This amount consists of:

General Fund	(200)	(200)
Professional Employer Organization Fund	(100)	(100)

High Speed Copier GF (200,000) (200,000)

The JLBC includes a decrease of \$(200,000) from the General Fund in FY 2008 and FY 2009 to eliminate a one-time increase in FY 2007 to replace the agency's high speed copier.

Professional Employer Organization OF (70,000) (70,000)

The JLBC includes a decrease of \$(70,000) from the Professional Employer Organization Fund in FY 2008 and FY 2009 for the elimination of one-time funding. This will result in ongoing funding of \$94,800 to administer the registration of Professional Employer Organizations (PEO) and create a database for use by the general public. The FY 2007 approved amount included \$80,000 in one-time equipment monies to create the database. The agency has requested that of that amount \$10,000 be appropriated annually for ongoing operating expenses. A PEO is a company that contractually assumes and manages human resources, employee benefits, payroll and workers' compensation for its clients. Over 150 PEOs conduct business in the state of Arizona.

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 PEOs for public use. Chapter 212 also established the Professional Employer Organization Fund, which consists of PEO registration and renewal fees.

Rebase Retirement

Rates GF (4,200) (4,200)

The JLBC includes a decrease of \$(4,200) from the General Fund in FY 2008 and FY 2009 for rebasing Elected Official Retirement Program retirement rates at actual FY 2007 levels. The actual rates that will be charged to the agency in FY 2007 are lower than were assumed in the FY 2007 budget; this reduction leaves sufficient funds to pay the actual rates. Increases for FY 2008 changes to rates are funded separately as a statewide item and would be distributed to agencies at a later time.

Microfilming and

Document Storage GF 92,000 30,400

The JLBC includes an increase of \$92,000 from the General Fund in FY 2008 and an increase of \$30,400 in FY 2009 for microfilming and document storage of applications and other filings for partnerships and trade names. A.R.S. § 41-1351 mandates that the agency retain record materials. Due to the number of documents, there is insufficient storage space to retain all documents in their original condition. There is currently over 115 square feet of documents awaiting microfilming. This amount is estimated to increase to 173 square feet by the beginning of FY 2008. The included amount will allow the agency to microfilm all existing boxes of documents as well as additional documents that are received on an ongoing basis.

Ongoing Operating

Support GF 60,000 60,000

The JLBC includes an increase of \$60,000 from the General Fund in FY 2008 and FY 2009 to provide support for ongoing operating expenses.

Blue Book Production GF 0 20,000

The JLBC includes an increase of \$20,000 from the General Fund in FY 2009 for production of the 2008 Arizona Blue Book (ABB). The ABB includes information concerning the executive, legislative, and judicial branches of government and boards and commissions of the state. A.R.S. § 41-131 requires the Secretary of State to produce the ABB every 2 years.

Special Line Items

Election Services

The JLBC includes \$4,361,000 and 10 FTE Positions from the General Fund for Election Services in FY 2008 and FY 2009. These amounts are unchanged from FY 2007.

State Elections GF 0 0

The JLBC includes no change in funding for state elections. The FY 2007 appropriation included \$3,400,000 from the General Fund to conduct the primary and general elections held in 2006. The FY 2008 included amount provides \$3,400,000 from the General Fund to finance the 2008 presidential preference election and the FY 2009 included amount provides \$3,400,000 from the General Fund to conduct the primary and general elections to be held in 2008.

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 JLBC includes \$15,000,000 from the Elections Systems Improvement Fund for the Help America Vote Act (HAVA) (P.L. 107-252) in FY 2008 and \$4,000,000 from the Elections Systems Improvement Fund in FY 2009. These amounts would fund the following adjustments:

HAVA Appropriation Reduction OF (5,000,000) (16,000,000)

The JLBC includes a decrease of \$(5,000,000) from the Election Systems Improvement Fund in FY 2008 and a decrease of \$(16,000,000) in FY 2009 to reduce the appropriated level of HAVA funding to \$15,000,000 in FY 2008 and \$4,000,000 in FY 2009. These amounts would equal expected expenditures as estimated by the Secretary of State’s office. 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 \$20,000,000 was appropriated from the Election Systems Improvement Fund in FY 2007. The agency is now estimating that only \$15,000,000 of the appropriation will be expended in FY 2007.

Table 1 lists projected HAVA expenditures from FY 2004 - FY 2009:

FY 2004	\$ 4,556,400
FY 2005	742,400
FY 2006	9,745,200
FY 2007 (est)	15,000,000
FY 2008 (est)	15,000,000
FY 2009 (est)	<u>4,000,000</u>
Total	\$49,044,000 ^{1/}

^{1/} Total expenditures will not exceed available funding.

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 \$52,254,900 in HAVA funding. This includes revenue from the following sources listed in Table 2:

Federal Funds	\$47,688,100
5% GF Match	2,200,000
Interest	<u>2,366,800</u>
Total	\$52,254,900

Assuming \$15,000,000 is expended in FY 2007, \$15,000,000 is expended in FY 2008, and \$4,000,000 is expended in FY 2009, HAVA funding would exceed current expenditure estimates by \$3,210,900. As a result, HAVA monies would be available in FY 2010.

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.

In FY 2006, each of the approximately 2,300 precincts in the state received at least 1 accessible voting system. Of the \$15,000,000 in estimated FY 2007 expenditures, approximately \$5,000,000 will be spent on acquisition, operation, maintenance, and support of a statewide voter registration system. The majority of the remaining \$10,000,000 will be used to purchase additional accessible voting systems and provide ongoing maintenance and support associated these machines.

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FORMAT — Operating Lump Sum with Special Line Items

FOOTNOTES

Standard Footnotes

Any transfer to or from the amount appropriated for the Election Services Special Line Item shall require review by the Joint Legislative Budget Committee.

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, 2007 the actual amount and purpose of expenditures from the Election Systems Improvement Fund in FY 2008 and the expected amount and purpose of expenditures from the fund for FY 2008 and FY 2009.

New Footnotes

The FY 2008 appropriation from the Election Systems Improvement Fund for HAVA is available for use pursuant to the provisions of A.R.S. § 35-143.01C and is exempt from the provisions of A.R.S. § 35-190, relating to lapsing of appropriations until June 30, 2009.

SUMMARY OF FUNDS	FY 2006 Actual	FY 2007 Estimate
Arizona Blue Book Revolving Fund (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	25,000
Year-End Fund Balance	31,500	18,500
Data Processing Acquisition Fund (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	146,600	120,000
Year-End Fund Balance	225,900	152,500
Election Systems Improvement Fund (STA2357/A.R.S. § 41-129)		Partially-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.		
Appropriated Funds Expended	9,476,400	20,000,000
Non-Appropriated Funds Expended	0	0
Year-End Fund Balance	37,224,300	18,535,900
Election Training Fund (STA2521/A.R.S. § 16-407.01)		Non-Appropriated
Source of Revenue: Receives money from cities and towns whose employees take election training courses.		
Purpose of Fund: To provide election training to officials from cities and towns.		
Funds Expended	0	0
Year-End Fund Balance	0	1,000
Health Care Directives Registry Fund (STA2508/A.R.S. § 36-3297)		Non-Appropriated
Source of Revenue: Donations from private investors.		
Purpose of Fund: To support, promote and maintain the Health Care Directives Registry.		
Funds Expended	44,400	40,000
Year-End Fund Balance	4,500	4,500
Professional Employer Organization (PEO) Fund (STA2520/A.R.S. § 23-576)		Appropriated
Source of Revenue: Professional Employer Organization registration and renewal fees.		
Purpose of Fund: To pay the costs of administering PEO registration and investigating any allegations of malfeasance.		
Funds Expended	0	164,900
Year-End Fund Balance	0	0

SUMMARY OF FUNDS	FY 2006	FY 2007
	Actual	Estimate
Standing Political Committee Administrative Fund (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	52,300	62,100