

## Department of State - Secretary of State

JLBC: Jack Brown  
 OSPB: Jennifer Uharriet

	FY 2009 ACTUAL	FY 2010 ESTIMATE	FY 2011 BASELINE
<b>OPERATING BUDGET</b>			
<i>Full Time Equivalent Positions</i>	164.1	145.1	141.1
Personal Services	5,181,600	5,463,100	5,463,100
Employee Related Expenditures	1,922,300	1,966,100	1,966,100
Professional and Outside Services	59,800	82,500	82,500
Travel - In State	8,200	12,500	12,500
Travel - Out of State	20,800	23,600	23,600
Other Operating Expenditures	1,362,200	1,469,500	1,469,500
Equipment	30,700	28,500	28,500
<b>OPERATING SUBTOTAL</b>	<b>8,585,600</b>	<b>9,045,800</b>	<b>9,045,800</b>
<b>SPECIAL LINE ITEMS</b>			
Election Services	4,052,300	1,039,900	4,439,900
Help America Vote Act (HAVA)	11,773,900	7,722,800	7,722,800
Special Election	0	8,346,900	0
Library Grants in Aid	643,300	651,400	651,400
Statewide Radio Reading Service for the Blind	97,000	97,000	97,000
<b>AGENCY TOTAL</b>	<b>25,152,100</b>	<b>26,903,800</b>	<b>21,956,900</b>
<b>FUND SOURCES</b>			
General Fund	12,750,100	18,403,300	13,456,400
<u>Other Appropriated Funds</u>			
Election Systems Improvement Fund	11,773,900	7,722,800	7,722,800
Professional Employer Organization Fund	0	98,900	98,900
Records Services Fund	628,100	678,800	678,800
SUBTOTAL - Other Appropriated Funds	12,402,000	8,500,500	8,500,500
<b>SUBTOTAL - Appropriated Funds</b>	<b>25,152,100</b>	<b>26,903,800</b>	<b>21,956,900</b>
Other Non-Appropriated Funds	530,300	424,200	424,200
Federal Funds	3,860,400	3,556,800	3,556,800
<b>TOTAL - ALL SOURCES</b>	<b>29,542,800</b>	<b>30,884,800</b>	<b>25,937,900</b>

### CHANGE IN FUNDING SUMMARY

	FY 2010 to FY 2011 Baseline	
	\$ Change	% Change
General Fund	(4,946,900)	(26.9%)
Other Appropriated Funds	0	0.0%
Total Appropriated Funds	(4,946,900)	(18.4%)
Non-Appropriated Funds	0	0.0%
Total - All Sources	(4,946,900)	(16.0%)

**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. In addition, the Department of State operates its Library Division, which had been a separate state agency (the Arizona State Library, Archives and Public Records) prior to FY 2010. The division is the archival authority and designated repository for historical records and documents of state and local governments, as well as a designated federal document regional repository.

**Operating Budget**

The Baseline includes \$2,673,700 and 32.3 FTE for the Secretary of State operating budget in FY 2011. These amounts consist of:

General Fund	\$2,574,800
Professional Employer Organization (PEO) Fund	98,900

These amounts are unchanged from FY 2010.

Laws 2009, Chapter 114 transferred the Arizona State Library, Archives, and Public Records (ASLAPR) to the Secretary of State's office, effective September 30, 2009. In addition, the legislation requires: 1) The Secretary of State to appoint the Director of ASLAPR and that the Director serves at the pleasure of the Secretary of State; 2) The sale or lease of state property located at 14 N. 18<sup>th</sup> Avenue, Phoenix, Arizona, which is currently occupied by the Secretary of State; 3) All personnel, property, records and appropriated monies remaining unspent and unencumbered by ASLAPR as of September 30, 2009 be transferred to the Secretary of State.

The transfer includes \$6,372,100 and 99.8 FTE Positions for the State Library, Archives and Public Records in FY 2011. These amounts consist of:

General Fund	5,693,300
Record Services Fund	678,800

These amounts are unchanged from FY 2010.

While ASLAPR was not transferred until September 30, 2009, FY 2009 and FY 2010 have been adjusted for comparability.

**Election Services**

The Baseline includes \$4,439,900 and 9 FTE Positions from the General Fund for Election Services in FY 2011. FY 2011 adjustments would be as follows:

**Election Year Funding                      GF      3,400,000**

The Baseline includes an increase of \$3,400,000 from the General Fund in FY 2011 for Election Services. This adjustment would bring Election Services funding to an amount similar to what was expended in FY 2009, which was the last fiscal year with a major election. This change reflects the increased funds needed to conduct primary elections held in August 2010 and the general election held in November 2010.

This line item funds expenses 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 Baseline includes \$7,722,800 from the Election Systems Improvement Fund for the Help America Vote Act (HAVA) (P.L. 107-252) in FY 2011. This amount is unchanged from FY 2010.

Table 1 lists projected HAVA expenditures from FY 2004 through FY 2011.

<b>HAVA Expenditures</b>	
FY 2004	\$3,756,400
FY 2005	47,100
FY 2006	9,476,400
FY 2007	12,157,900
FY 2008	2,648,500 <sup>1/</sup>
FY 2009 (est)	11,773,900 <sup>2/</sup>
FY 2010 (est)	7,722,800
FY 2011 (est)	<u>7,722,800</u>
<b>Total</b>	<b>\$55,305,800 <sup>3/</sup></b>

<sup>1/</sup> Original appropriation was \$15,002,000.  
<sup>2/</sup> The Secretary of State was originally appropriated \$4,000,000 for FY 2009. However, there is approximately \$12,400,000 of appropriation authority available until the end of FY 2009, which the Secretary of State may use to increase FY 2009 HAVA expenditures.  
<sup>3/</sup> 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. Through FY 2011, it is estimated that the Secretary of State will receive a total of \$60,695,600 in HAVA funding. This includes revenue from the following sources listed in Table 2.

<b>HAVA Revenues</b>	
Federal Funds	\$52,203,400
5% GF Match	2,331,900
Interest	<u>6,160,300</u>
<b>Total</b>	<b>\$60,695,600</b>

Assuming \$7,722,800 is expended in FY 2010 and \$7,722,800 is expended in FY 2011, \$5,389,800 in HAVA monies would be available in FY 2012.

Arizona HAVA grant monies are being used to replace all punch card and lever voting machines and to improve election administration. Arizona HAVA annual payment 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.

Other uses of the money include: the finalization of the statewide voter registration system, poll worker recruitment and operation, maintenance, and support for accessible voting machines. Any remaining funding will be spent on voter education, making election sites more accessible, improvements to the telephonic grievance system, administration, consulting, poll worker and election official training, and telecommunications.

**Special Election**

The Baseline includes no funding from the General Fund to pay for a statewide special election in FY 2011. FY 2011 adjustments would be as follows:

**Rollback Special Election                      GF      (8,346,900)**  
**Funding**

The Baseline includes a decrease of \$(8,346,900) from the General Fund for Special Election funding. Funding was provided in FY 2010 to pay for a potential statewide special election. Among potential topics was a constitutional amendment to authorize a temporary increase in the Transaction Privilege Tax.

**Library Grants in Aid**

The Baseline includes \$651,400 from the General Fund for Grants-in-Aid in FY 2011. This amount is unchanged from FY 2010.

Monies in this Special Line Item are used to fund a portion of the state match that is required for receipt of federal dollars under the Library Services and Technology Act (LSTA). Receipt of LSTA monies is dependent on the state's ability to meet a maintenance-of-effort requirement, which is tied to the state contribution made in each of the 3 prior years.

**Statewide Radio Reading Service for the Blind**

The Baseline includes \$97,000 from the General Fund for Statewide Radio Reading Service for the Blind in FY 2011. This amount is unchanged from FY 2010.

Monies in this Special Line Item are used to provide information access services for blind and visually impaired individuals. Services include radio information broadcasts, a telephone and web-based news reading service, and internet radio broadcasting for individuals who are outside the range of the radio broadcast.

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**FORMAT** — Operating Lump Sum with Special Line Items by Agency

**FOOTNOTES**

*Standard Footnotes*

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

The FY 2011 appropriation from the Election Systems Improvement Fund for HAVA is available for use pursuant to 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, 2012.

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, 2010 the actual amount and purpose of expenditures from the Election Systems Improvement Fund in FY 2010 and the expected amount and purpose of expenditures from the fund for FY 2011.

**OTHER ISSUES FOR LEGISLATIVE CONSIDERATION**

**5% FTE Position Reduction**

The Secretary of State was originally budgeted 138.1 General Fund FTE Positions in FY 2010. Laws 2009, 3<sup>rd</sup> Special Session, Chapter 11, Section 17 mandates a 5% General Fund FTE Position reduction by February 1, 2010. Given the mid-year implementation, this provision requires the Secretary of State to reduce an additional 3 FTE Positions in FY 2010 and 7 General Fund FTE Positions in FY 2011. This reduction is allocated to the operating budget; the agency may allocate to Special Line Items.

SUMMARY OF FUNDS	FY 2009 Actual	FY 2010 Estimate
<b>Arizona Blue Book Revolving Fund</b> (STA2006/A.R.S. § 41-131)		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Proceeds from the sales of Arizona Blue Books and legislative appropriations.		
<b>Purpose of Fund:</b> To publish the Arizona Blue Book, which contains information about the state's Executive, Legislative, and Judicial Branches.		
<b>Funds Expended</b>	0	0
<b>Year-End Fund Balance</b>	8,900	10,100
<b>Data Processing Acquisition Fund</b> (STA2265/A.R.S. § 41-127)		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> A special recording fee on Uniform Commercial Code filings.		
<b>Purpose of Fund:</b> 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.		
<b>Funds Expended</b>	65,200	15,900
<b>Year-End Fund Balance</b>	131,700	185,800
<b>Election Systems Improvement Fund</b> (STA2357/A.R.S. § 41-129)		<b>Appropriated</b>
<b>Source of Revenue:</b> 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.		
<b>Purpose of Fund:</b> 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.		
<b>Funds Expended</b>	306,000	7,722,800
<b>Year-End Fund Balance</b>	14,405,000	10,653,000
<b>Election Training Fund</b> (STA2521/A.R.S. § 16-407.01)		<b>Appropriated</b>
<b>Source of Revenue:</b> Receives money from cities and towns whose employees take election training courses.		
<b>Purpose of Fund:</b> To provide election training to officials from cities and towns.		
<b>Funds Expended</b>	0	0
<b>Year-End Fund Balance</b>	0	0
<b>Federal Grants Fund</b> (LAA2000/A.R.S. § 41-1336)		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Federal grants awarded to the state for library purposes.		
<b>Purpose of Fund:</b> Prescribed by the federal grantor for statewide library purposes.		
<b>Funds Expended</b>	3,860,400	3,556,800
<b>Year-End Fund Balance</b>	206,900	54,000
<b>Gift Shop Revolving Fund</b> (LAA4008/Laws 1984, Chapter 396)		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Sale of merchandise at the Capitol Museum Gift Shop.		
<b>Purpose of Fund:</b> To provide for state-related inventory to be sold at the Capitol Museum Gift Shop.		
<b>Funds Expended</b>	73,200	64,700
<b>Year-End Fund Balance</b>	129,800	125,100
<b>Health Care Directives Registry</b> (STA2508/A.R.S. § 36-3297)		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Donations from private investors.		
<b>Purpose of Fund:</b> To support, promote and maintain the Health Care Directives Registry.		
<b>Funds Expended</b>	30,600	0
<b>Year-End Fund Balance</b>	400	400

SUMMARY OF FUNDS	FY 2009 Actual	FY 2010 Estimate
<b>Notary Bond Fund (STA3000/A.R.S. § 41-314)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> The fund receives a portion of the fee collected from the processing of notary bonds.		
<b>Purpose of Fund:</b> To defray the cost associated with the processing and administration of notary bonds.		
<b>Funds Expended</b>	0	62,600
<b>Year-End Fund Balance</b>	119,700	177,100
<b>Professional Employer Organization Fund (STA2520/A.R.S. § 23-576)</b>		<b>Appropriated</b>
<b>Source of Revenue:</b> Professional Employer Organization (PEO) registration and renewal fees.		
<b>Purpose of Fund:</b> To pay the costs of administering PEO registration and investigating any allegations of malfeasance.		
<b>Funds Expended</b>	0	98,900
<b>Year-End Fund Balance*</b>	0	(98,900)
<b>Records Services Fund (LAA2431/A.R.S. § 41-1345)</b>		<b>Appropriated</b>
<b>Source of Revenue:</b> Fees collected from state agencies for records storage services.		
<b>Purpose of Fund:</b> To help defray costs of preserving and managing the state of Arizona's public records.		
<b>Funds Expended</b>	628,100	678,800
<b>Year-End Fund Balance</b>	228,600	249,800
<b>Standing Political Committee Administration Fund (STA2426/A.R.S. § 41-128)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Filing fees paid by standing political committees.		
<b>Purpose of Fund:</b> To pay the costs of administering and enforcing the campaign finance laws relating to standing political committees.		
<b>Funds Expended</b>	54,900	0
<b>Year-End Fund Balance</b>	32,100	44,400
<b>State Library Fund (LAA2115/A.R.S. § 41-1336)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Private donations, private grants and monies collected through charges for reproduction of materials in the Research Division.		
<b>Purpose of Fund:</b> To improve statewide library service.		
<b>Funds Expended</b>	306,400	281,000
<b>Year-End Fund Balance</b>	487,700	356,700

\*As reported by the agency. Actual ending balance will not be negative.