

## Department of State - Secretary of State

	FY 2015 ACTUAL	FY 2016 ESTIMATE	FY 2017 APPROVED
<b>OPERATING BUDGET</b>			
<i>Full Time Equivalent Positions</i>	141.1	141.1	141.1 <sup>1/</sup>
Personal Services	4,910,500	4,568,800	5,282,100
Employee Related Expenditures	2,203,500	1,985,400	2,269,100
Professional and Outside Services	218,400	228,800	228,800
Travel - In State	9,800	8,400	8,400
Travel - Out of State	32,500	31,300	31,300
Other Operating Expenditures	3,581,700	3,650,200	4,368,200
Equipment	41,500	100,800	100,800
<b>OPERATING SUBTOTAL</b>	<b>10,997,900</b>	<b>10,573,700</b>	<b>12,288,700</b> <sup>2/</sup>
<b>SPECIAL LINE ITEMS</b>			
Election Services	3,537,500	10,556,400 <sup>3/</sup>	2,672,500 <sup>4/5/</sup>
Help America Vote Act (HAVA)	1,714,600	2,941,500	2,941,100 <sup>6/7/</sup>
Special Election	0	9,300,000 <sup>8/</sup>	0
Library Grants-in-Aid	530,000	651,400	651,400 <sup>9/</sup>
Statewide Radio Reading Service for the Blind	97,000	97,000	97,000
<b>AGENCY TOTAL</b>	<b>16,877,000</b>	<b>34,120,000</b>	<b>18,650,700</b> <sup>10/</sup>
<b>FUND SOURCES</b>			
General Fund	14,468,900	30,436,500	14,969,200
<u>Other Appropriated Funds</u>			
Election Systems Improvement Fund	1,714,600	2,941,500	2,941,100
Records Services Fund	693,500	742,000	740,400
<b>SUBTOTAL - Other Appropriated Funds</b>	<b>2,408,100</b>	<b>3,683,500</b>	<b>3,681,500</b>
<b>SUBTOTAL - Appropriated Funds</b>	<b>16,877,000</b>	<b>34,120,000</b>	<b>18,650,700</b>
Other Non-Appropriated Funds	644,000	1,251,000	1,251,000
Federal Funds	2,783,500	3,727,700	3,727,700
<b>TOTAL - ALL SOURCES</b>	<b>20,304,500</b>	<b>39,098,700</b>	<b>23,629,400</b>

<sup>1/</sup> Includes 10 GF FTE Positions funded from Special Line Items in FY 2017.

<sup>2/</sup> Included in the operating lump sum appropriation of \$12,288,700 for FY 2017 is \$5,000 for the purchase of mementos and items for visiting officials. (General Appropriation Act footnote, as adjusted for statewide allocations and JLBC reviewed transfer of monies from the Election Services line item to the SOS operating budget)

<sup>3/</sup> The General Appropriation Act includes an FY 2016 supplemental appropriation of \$6,130,000 from the General Fund for reimbursing county elections divisions for the expenses incurred for the administration of the 2016 Presidential Preference Election. The General Appropriation Act requires a county to be reimbursed in the amount of actual expenses, subject to several limits. (See FY 2016 Supplemental section for more information.)

<sup>4/</sup> Any transfer to or from the amount appropriated for the Election Services line item requires review by the Joint Legislative Budget Committee. (General Appropriation Act footnote)

<sup>5/</sup> All monies in the Election Services line item shall be used only to pay for the statewide election publicity pamphlet and as pass-through monies to county election divisions for the reimbursement of the costs of elections. (General Appropriation Act footnote)

<sup>6/</sup> The FY 2017 appropriation from the Election Systems Improvement Fund for the Help America Vote Act 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, 2018. (General Appropriation Act footnote)

<sup>7/</sup> The Secretary of State shall report to the Joint Legislative Budget Committee and the Governor's Office of Strategic Planning and Budgeting on or before December 31, 2016 the actual amount and purpose of expenditures from the Election Systems Improvement Fund established by A.R.S. § 41-129 in FY 2016 and the expected amount and purpose of expenditures from the fund for FY 2017. (General Appropriation Act footnote)

<sup>8/</sup> This appropriation is exempt from the provisions of A.R.S. § 35-190, relating to lapsing of appropriations. (Laws 2015, 1<sup>st</sup> Special Session, Chapter 2, as amended by Laws 2016, Chapter 3)

<sup>9/</sup> This appropriation is a continuing appropriation and is exempt from the provisions of A.R.S. § 35-190, relating to lapsing of appropriations.

<sup>10/</sup> General Appropriation Act funds are appropriated as an Operating Lump Sum with Special Line Items by Agency.

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**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; 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 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.

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### **Operating Budget**

The budget includes \$12,288,700 and 131.1 FTE Positions in FY 2017 for the operating budget. These amounts consist of:

	<b>FY 2017</b>
General Fund	\$11,548,300
Record Services Fund	740,400

These amounts fund the following adjustments:

#### **Elections Staff Operating Budget Shift**

The budget includes an increase of \$1,035,600 from the General Fund in FY 2017 and a corresponding decrease to the Election Services line item to shift the Personal Services and Employee Related Expenditures of permanent Elections Division staff to the SOS operating budget from the Election Services line item. There is no net change in agency resources.

#### **Elections Activities Funding Transfer**

The budget includes an increase of \$712,000 from the General Fund in FY 2017 and a corresponding decrease to the Election Services line item to pay for elections activities not included in the Election Service line item restriction footnote (*see Footnote 5*). This transfer was favorably reviewed at the June 16, 2016 Joint Legislative Budget Committee meeting. There is no net change in agency resources.

#### **Statewide Adjustments**

The budget includes a decrease of \$(32,600) in FY 2017 for statewide adjustments. This amount consists of:

General Fund	(31,000)
Record Services Fund	(1,600)

*(Please see the Agency Detail and Allocations section.)*

### **Election Services**

The budget includes \$2,672,500 and 10 FTE Positions from the General Fund in FY 2017 for Election Services. These amounts fund the following adjustments:

#### **Elections Staff Operating Budget Shift**

The budget includes a decrease of \$(1,035,600) from the General Fund in FY 2017 and a corresponding increase to the SOS operating budget to shift the Personal Services and Employee Related Expenditures of permanent Elections Division staff to the SOS operating budget from the Election Services line item. There is no net change in agency resources.

#### **Elections Activities Funding Transfer**

The budget includes a decrease of \$(712,000) from the General Fund in FY 2017 from the Election Services line item and a corresponding increase to the SOS operating budget to pay for elections activities not included in the Election Service line item restriction footnote. This transfer was favorably reviewed at the June 16, 2016 Joint Legislative Budget Committee meeting. There is no net change in agency resources.

#### **Remove PPE Supplemental Appropriation**

The budget includes a decrease of \$(6,130,000) from the General Fund in FY 2017 for removing the one-time reimbursement supplemental costs of the March 22, 2016 Presidential Preference Election (PPE). *(Please see the Other Issues section for more information on PPE Elections and the FY 2016 Supplemental Appropriation.)*

#### **Statewide Adjustments**

The budget includes a decrease of \$(6,300) from the General Fund in FY 2017 for statewide adjustments.

This line item funds election-related activities, including voter registration and the certification of candidates, voting devices and the results of statewide elections. Funding is also used to publish the publicity pamphlet on state ballot propositions.

For traditional state elections, statute requires the Secretary of State (SOS) 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.

For FY 2017, this line item includes funding for the Primary Election to be held on August 30, 2016 and General Election to be held on November 8, 2016 in FY 2017.

The FY 2017 budget included a new footnote, which limited funding in the Election Services line item to be used only to pay for the statewide election publicity pamphlet and as pass-through monies to county election divisions for the reimbursement of the costs of elections. Use of the line item for elections activities beyond the statewide publicity pamphlet and reimbursement to counties requires review by the Joint Legislative Budget Committee.

Because the footnote did not include certain election activities that had historically been funded from the line item, SOS requested to transfer funds from the line item for FY 2017. A transfer of \$712,000 from the General Fund from the Election Services line item to the SOS operating budget for 10 such elections activities was favorably reviewed by the Joint Legislative Budget Committee at its June 2016 meeting.

*(Please see the Other Issues section for more information on PPE Elections, the FY 2016 Supplemental, and FY 2016 Election Services Line Item Changes.)*

#### **Help America Vote Act (HAVA)**

The budget includes \$2,941,100 from the Election Systems Improvement Fund in FY 2017 for the Help America Vote Act (HAVA) (P.L. 107-252). This amount funds the following adjustments:

##### **Statewide Adjustments**

The budget includes a decrease of \$(400) from the Election Systems Improvement Fund in FY 2017 for statewide adjustments.

HAVA is federal election reform legislation that imposes several requirements on the states with respect to the conduct of federal elections. Assuming the Secretary of State spends the full \$2.9 million appropriation in FY 2016, approximately \$2.6 million in HAVA monies would be available in FY 2017, with no funding available for FY 2018.

#### **Special Election**

The budget includes no funding from the General Fund in FY 2017 for a statewide special election. This amount funds the following adjustments:

#### **Special Election**

The budget includes a decrease of \$(9,300,000) from the General Fund in FY 2017 for the one-time costs of the May 17, 2016 special election.

Laws 2015, 1<sup>st</sup> Special Session, Chapter 2 as amended by Laws 2016, Chapter 3, appropriated \$9,300,000 from the General Fund to pay for a statewide special election in FY 2016. Chapter 2 requires that a special election be held on May 17, 2016 to consider: 1) Proposition 123, a constitutional amendment to provide for increased State Land Trust distributions and other changes relating to education finance as proposed in HCR 2001; and 2) Proposition 124, a constitutional amendment to allow the Legislature to change the Public Safety Personnel Retirement System from a permanent benefit increase structure to a compounding annual cost of living adjustment. This appropriation for the special election is exempt from the provisions of A.R.S. § 35-190, relating to lapsing of appropriations.

#### **Library Grants-in-Aid**

The budget includes \$651,400 from the General Fund in FY 2017 for Library Grants-in-Aid. This amount is unchanged from FY 2016.

Monies in this line item are used to fund a portion of the state maintenance of effort 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 budget includes \$97,000 from the General Fund in FY 2017 for Statewide Radio Reading Service for the Blind. This amount is unchanged from FY 2016.

These monies 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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## Other Issues

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### Presidential Preference Election

Prior to 2012, A.R.S. § 16-250 required the Secretary of State to reimburse counties at a rate of \$1.25 per active registered voter in that county on January 1 of the PPE year. Laws 2012, Chapter 361 required the Secretary of State to reimburse counties for 100% of the costs incurred for each PPE. PPE elections differ from all-mail and traditional elections in that they have a separate ballot for each recognized political party and no other election may appear on the PPE ballot.

The FY 2016 Government Budget Reconciliation Bill (BRB) (Laws 2015, Chapter 12) repealed the 100% reimbursement rate established in Laws 2012, Chapter 361 and returned the reimbursement rate to \$1.25 per active registered voter, the rate established in statute prior to Laws 2012, Chapter 361. For the 2016 PPE, however, the Legislature elected to provide a one-time appropriation to counties at a higher reimbursement rate. (See FY 2016 Supplemental section for more information.)

### FY 2016 Supplemental

The budget includes an FY 2016 supplemental appropriation of \$6,130,000 from the General Fund for reimbursing county elections divisions for the expenses incurred for the administration of the 2016 Presidential Preference Election. The budget requires a county to be reimbursed in the amount of actual expenses, subject to the following limits:

- Counties with an active voter registration as of January 1, 2016 of 450,000 or more to be reimbursed at a rate of \$2.50 per active registered voter or at the estimated cost provided to SOS before October 30, 2015, whichever is less;
- Counties with an active voter registration of between 35,000 and 450,000 at a rate of \$3.00 or at the estimated cost provided to SOS before October 30, 2015, whichever is less;
- Counties with an active voter registration of less than 35,000 at a rate of \$3.50; or at the estimated cost provided to SOS before October 30, 2015, whichever is less.

The supplemental appropriation (Laws 2016, Chapter 117, Section 125) also required the following:

- SOS may not reimburse for regular pay and employer related expenses for permanent county employees or maintenance of infrastructure, machinery and equipment.

- SOS may only reimburse for costs prescribed in the Accounting Manual issued by the Department of Administration General Accounting Office in effect on January 1, 2016
- SOS is required to submit a report on the reimbursements to the Joint Legislative Budget Committee and the Governor's Office of Strategic Planning and Budgeting by October 1, 2016 on the PPE reimbursements.

In addition, the budget includes an intent clause stating that the appropriation and reimbursement rates for the 2016 PPE do not set a precedent that the costs of administering any process to select party nominees for a presidential election held after March 22, 2016 will be reimbursed by the state at any particular level.

### FY 2016 Changes to the Election Services Line Item

In FY 2016, the Election Services line item includes \$1,035,600 from the General Fund for the Personal Services and Employee Related Expenditures of SOS Elections staff.

In FY 2016, SOS chose to use this line item to fund upgrades to and replacement of the Election Management and Election Night Reporting Systems and the Campaign Finance Database. SOS uses the Election Management System to track candidate and other information as required and the Election Night Reporting System is the publically accessible vote counting system available for each election. Updates to these systems are projected to cost \$772,300 and be available by the fall 2016 elections in FY 2017.

The Campaign Finance Database will be used to track campaign contributions for state, county, and local elections. The Campaign Finance Database is projected to cost \$490,000 and will be completed during FY 2016. Both the Elections Systems and Campaign Finance database will include ongoing maintenance costs beyond FY 2016.

The total cost for staff and automation projects during FY 2016 is \$1,739,100, leaving \$2,687,300 for the PPE.

In total, PPE costs of the \$1.25 reimbursement to counties and state level expenditures were expected to be \$4,877,900. This compares to the \$2,687,300 of remaining funds for the PPE from the Election Services line item, for a shortfall of \$2,190,600. However, the Legislature elected to provide a one-time appropriation to counties at a higher reimbursement rate to fully reimburse counties for PPE costs at a cost of \$6,130,000. (See FY 2016 Supplemental section for more information.)