

Department of State - Secretary of State

	FY 2015 ACTUAL	FY 2016 ESTIMATE	FY 2017 BASELINE
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	141.1	141.1	141.1
Personal Services	4,910,500	4,568,800	4,568,800
Employee Related Expenditures	2,203,500	1,985,400	1,985,400
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	3,650,200
Equipment	41,500	100,800	100,800
OPERATING SUBTOTAL	10,997,900	10,573,700	10,573,700
SPECIAL LINE ITEMS			
Election Services	3,537,500	4,426,400	4,426,400
Help America Vote Act (HAVA)	1,714,600	2,941,500	2,941,500
Special Election	0	9,300,000	0
Library Grants-in-Aid	530,000	651,400	651,400
Statewide Radio Reading Service for the Blind	97,000	97,000	97,000
AGENCY TOTAL	16,877,000	27,990,000	18,690,000
FUND SOURCES			
General Fund	14,468,900	24,306,500	15,006,500
<u>Other Appropriated Funds</u>			
Election Systems Improvement Fund	1,714,600	2,941,500	2,941,500
Records Services Fund	693,500	742,000	742,000
SUBTOTAL - Other Appropriated Funds	2,408,100	3,683,500	3,683,500
SUBTOTAL - Appropriated Funds	16,877,000	27,990,000	18,690,000
Other Non-Appropriated Funds	644,000	1,251,000	1,251,000
Federal Funds	2,783,500	3,727,700	3,727,700
TOTAL - ALL SOURCES	20,304,500	32,968,700	23,668,700

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.

Operating Budget

The Baseline includes \$10,573,700 and 131.1 FTE Positions in FY 2017 for the operating budget. These amounts consist of:

	FY 2017
General Fund	\$9,831,700
Record Services Fund	742,000

These amounts are unchanged from FY 2016.

Election Services

The Baseline includes \$4,426,400 and 10 FTE Positions from the General Fund in FY 2017 for Election Services. These amounts are unchanged from FY 2016.

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.

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

Additionally, this line item includes funding for the Presidential Preference Election (PPE) to be held on March 22, 2016 in FY 2016 and the Primary Election to be held on August 30, 2016 and General Election to be held on November 8, 2016 in FY 2017.

In FY 2016, SOS has chosen 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 \$213,500 and be completed 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.

Per statute, SOS reimburses counties at a rate of \$1.25 per active registered voter for PPE elections. The cost of reimbursing counties for the PPE would be \$4,141,300 using an SOS projected statewide voter registration of 3,313,060.

In addition, SOS is required to provide certain state-level funding for the PPE, such as mailing out sample ballots. These services are estimated to cost \$736,600.

In total, PPE costs of the \$1.25 reimbursement to counties and state level expenditures are 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.

After accounting for the staff and automation costs for FY 2016, the Legislature could 1) provide SOS with supplemental funding of \$2,190,600 to backfill the difference between available funding and the PPE costs at the \$1.25 level or 2) fund county reimbursement at a rate of \$0.59 per voter to remain within the available appropriation, which would require a Budget Reconciliation Bill provision. *(Please see the Other Issues section for more information on PPE Elections.)*

Help America Vote Act (HAVA)

The Baseline includes \$2,941,500 from the Election Systems Improvement Fund in FY 2017 for the Help America Vote Act (HAVA) (P.L. 107-252). This amount is unchanged from FY 2016.

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 Baseline includes no funding from the General Fund in FY 2017 for a statewide special election. FY 2017 adjustments would be as follows:

Special Election	GF	(9,300,000)
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The Baseline 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, 1st Special Session, Chapter 2 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 a constitutional amendment to provide for increased State Land Trust distributions and other changes relating to education finance as proposed in HCR 2001.

Library Grants-in-Aid

The Baseline 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 Baseline 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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FORMAT — Operating Lump Sum with Special Line Items by Agency

FOOTNOTES

Standard Footnotes

Included in the operating lump sum appropriation of \$10,573,700 for FY 2017 is \$5,000 for the purchase of mementos and items for visiting officials.

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 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.

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.

The \$651,400 appropriation from the General Fund for the Library-Grants-In-Aid Special Line Item is a continuing appropriation and is exempt from the provisions of A.R.S. § 35-190, relating to lapsing of appropriations.

Other Issues

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. The FY 2016 Government BRB returned the reimbursement rate to \$1.25 per active registered voter, the rate established in statute prior to Laws 2012, Chapter 361.

SUMMARY OF FUNDS	FY 2015 Actual	FY 2016 Estimate
Address Confidentiality Program Fund (STA2557/A.R.S. § 41-169)		Non-Appropriated
Source of Revenue: An assessment of \$50 imposed on all persons convicted of domestic violence, stalking, or certain sexual offenses.		
Purpose of Fund: To administer the Address Confidentiality Program. This program allows the Secretary of State to establish an alternate public address to protect victims of domestic violence, stalking, and sexual offenses.		
Funds Expended	161,000	151,100
Year-End Fund Balance	217,200	306,100

SUMMARY OF FUNDS	FY 2015 Actual	FY 2016 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	0
Year-End Fund Balance	11,200	11,200
Data Processing Acquisition Fund (STA2265/A.R.S. § 41-127)		Non-Appropriated
Source of Revenue: A special recording fee on Uniform Commercial Code and other 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	83,600	268,500
Year-End Fund Balance	240,600	122,100
Election Systems Improvement Fund (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.		
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	1,714,600	2,941,500
Year-End Fund Balance	5,561,700	2,657,400
Election Training Fund (STA2521/A.R.S. § 16-407)		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	5,900	7,400
Federal Grants (LAA2000/A.R.S. § 41-151.06)		Non-Appropriated
Source of Revenue: Federal grants awarded to the state for library purposes.		
Purpose of Fund: Prescribed by the federal grantor for statewide library purposes.		
Funds Expended	2,783,500	3,727,700
Year-End Fund Balance*	717,000	(514,900)
IGA and ISA Fund (STA2500/A.R.S. § 35-142)		Non-Appropriated
Source of Revenue: Intergovernmental Agreements and Internal Service Agreements with other state agencies.		
Purpose of Fund: To record and manage Intergovernmental Agreements and Internal Service Agreements.		
Funds Expended	0	0
Year-End Fund Balance	5,400	5,400

SUMMARY OF FUNDS	FY 2015 Actual	FY 2016 Estimate
Museum Gift Shop Revolving Fund (LAA4008/A.R.S. § 41-151.24)		Non-Appropriated
Source of Revenue: Proceeds from the sale of merchandise at the Capitol Museum Gift Shop.		
Purpose of Fund: To provide for state-related inventory to be sold at the Capitol Museum Gift Shop.		
Funds Expended	112,300	97,700
Year-End Fund Balance	78,300	57,100
Notary Bond Fund (STA2387/A.R.S. § 41-314)		Non-Appropriated
Source of Revenue: The fund receives a portion of the fee collected from the processing of notary bonds.		
Purpose of Fund: To defray the cost associated with the processing and administration of notary bonds.		
Funds Expended	89,100	100,000
Year-End Fund Balance	121,000	188,300
Professional Employer Organization Fund (STA2520/A.R.S. § 23-576)		Appropriated
Source of Revenue: Professional Employer Organization (PEO) registration and renewal fees.		
Purpose of Fund: To pay the costs of administering PEO registration and investigating any allegations of malfeasance. The FY 2014 Government Budget Reconciliation Bill (Laws 2013, 1 st Special Session, Chapter 2) delayed the implementation of the PEO registration program until the end of FY 2023.		
Funds Expended	0	0
Year-End Fund Balance	0	0
Records Services Fund (LAA2431/A.R.S. § 41-151.12)		Appropriated
Source of Revenue: Fees collected from state agencies, political subdivisions, and other governmental units for records storage services.		
Purpose of Fund: To help defray costs of preserving and managing the state of Arizona's public records.		
Funds Expended	693,500	742,000
Year-End Fund Balance	369,600	203,500
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	63,500	83,500
State Library Fund (LAA2115/A.R.S. § 41-151.06)		Non-Appropriated
Source of Revenue: Private donations, private grants and monies collected through charges for reproduction of materials in the Research Division.		
Purpose of Fund: To improve statewide library service.		
Funds Expended	198,000	633,700
Year-End Fund Balance	1,213,400	596,100

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