

STATE OF ARIZONA

FY 2011

Appropriations Report

May 2010

JLBC

Department of State - Secretary of State

A.R.S. § 41-121

Secretary of State: The Honorable Ken Bennett

JLBC Analyst: Jack Brown

	FY 2009 ACTUAL	FY 2010 ESTIMATE	FY 2011 APPROVED
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	164.1	145.1	139.1 ^{1/}
Personal Services	5,181,600	5,454,600	5,179,900
Employee Related Expenditures	1,922,300	1,964,500	2,074,800
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	1,367,000
Equipment	30,700	28,500	28,500
OPERATING SUBTOTAL	8,585,600	9,035,700	8,768,800
SPECIAL LINE ITEMS			
Election Services	4,052,300	1,039,200	4,453,300 ^{2/}
Help America Vote Act (HAVA)	11,773,900	7,722,800	8,934,200 ^{3/4/}
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
AGENCY TOTAL	25,152,100	26,893,000	22,904,700 ^{5/}
FUND SOURCES			
General Fund	12,750,100	18,393,000	13,301,800
<u>Other Appropriated Funds</u>			
Election Systems Improvement Fund	11,773,900	7,722,800	8,934,200
Professional Employer Organization Fund	0	98,900	0
Records Services Fund	628,100	678,300	668,700
SUBTOTAL - Other Appropriated Funds	12,402,000	8,500,000	9,602,900
SUBTOTAL - Appropriated Funds	25,152,100	26,893,000	22,904,700
Other Non-Appropriated Funds	530,300	424,200	424,200
Federal Funds	3,860,400	3,556,800	3,556,800
TOTAL - ALL SOURCES	29,542,800	30,874,000	26,885,700

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; 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.

- ^{1/} Includes 9 GF FTE Positions funded from Special Line Items in FY 2011.
- ^{2/} Any transfer to or from the amount appropriated for the Election Services line item shall require review by the Joint Legislative Budget Committee. (General Appropriation Act footnote)
- ^{3/} 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. (General Appropriation Act footnote)
- ^{4/} 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. (General Appropriation Act footnote)
- ^{5/} General Appropriation Act funds are appropriated as an Operating Lump Sum with Special Line Items by Agency.

Operating Budget

The budget includes \$8,768,800 and 130.1 FTE Positions for the operating budget in FY 2011. These amounts consist of:

	<u>FY 2011</u>
General Fund	\$8,100,100
Record Services Fund	668,700

These amounts fund the following adjustments:

Delay Professional Employer Organization Registration

The budget includes a decrease of \$(98,900) and (2.0) FTE Positions from the Professional Employer Organization (PEO) Fund in FY 2011 for the delay of PEO registration. The General Government Budget Reconciliation Bill (BRB) (Laws 2010, 7th Special Session, Chapter 5) suspended the requirement that the Secretary of State register PEOs until the beginning of FY 2012. Due to this suspension, the budget eliminated the PEO Fund appropriation and appropriated FTE Positions for FY 2011.

Statewide Adjustments

The budget includes a decrease of \$(168,000) in FY 2011 for statewide adjustments. This amount consists of:

General Fund	(158,400)
Records Services Fund	(9,600)

(Please see the General Provisions section.)

These operating budget amounts take into account the transfer of the Arizona State Library, Archives, and Public Records (ASLAPR) to the Secretary of State's office as required by Laws 2009, Chapter 114.

That legislation required: 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. 18th 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.

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

Election Services

The budget includes \$4,453,300 and 9 FTE Positions from the General Fund for Election Services in FY 2011. These amounts fund the following adjustments:

Election Year Funding

The budget 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.

Statewide Adjustments

The budget includes an increase of \$14,100 from the General Fund in FY 2011 for statewide adjustments.

Help America Vote Act (HAVA)

The budget includes \$8,934,200 from the Election Systems Improvement Fund for the Help America Vote Act (HAVA) (P.L. 107-252) in FY 2011. This amount funds the following adjustments:

Increased Appropriation Authority

The budget includes an increase of \$1,211,400 from the Election Systems Improvement Fund in FY 2011 to allow the Secretary of State to spend additional HAVA monies that were made available by the federal government. The Secretary of State plans to use \$63,800 of existing appropriation authority to fulfill the matching requirements to receive an additional \$1,211,400 of HAVA funds.

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

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 \$61,970,800 in HAVA funding. This includes revenue from the following sources listed in Table 2.

Table 1

HAVA Expenditures

FY 2004	\$3,756,400
FY 2005	47,100
FY 2006	9,476,400
FY 2007	12,157,900
FY 2008	2,648,500 ^{1/}
FY 2009 (est)	11,773,900 ^{2/}
FY 2010 (est)	7,722,800
FY 2011 (est)	8,934,200
Total	\$56,517,200 ^{3/}

^{1/} Original appropriation was \$15,002,000.

^{2/} 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.

^{3/} Total expenditures will not exceed available funding.

Table 2

HAVA Revenues

Federal Funds	\$53,414,800
5% GF Match	2,395,700
Interest	6,160,300
Total	\$61,970,800

Assuming \$7,722,800 is expended in FY 2010 and \$8,934,200 is expended in FY 2011, \$5,453,600 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 budget includes no funding from the General Fund for a statewide special election in FY 2011. This amount funds the following adjustments:

Rollback Special Election Funding

The budget includes a decrease of \$(8,346,900) from the General Fund in FY 2011 for Special Election funding. Funding was provided in FY 2010 to pay for the statewide special election held on May 18, 2010. The special election was held to ask voters to consider Proposition 100, a constitutional amendment to authorize a temporary increase in the Transaction Privilege Tax.

Library Grants-in-Aid

The budget includes \$651,400 from the General Fund for Library 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 budget 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.

Fund Transfers

The budget includes transfers from this agency's funds to the General Fund. *(Please see the Fund Transfers section at the back of this report for more details.)*

Other Issues**5% FTE Position Reduction**

Laws 2009, 3rd Special Session, Chapter 11, Section 17 mandated a 5% General Fund FTE Position reduction by February 1, 2010. This provision required the Secretary of State to reduce 3 General Fund FTE Positions in FY 2010 and an additional 4 General Fund FTE Positions in FY 2011. These changes have been incorporated in the agency's budget.