

Secretary of State

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- Implementation of the Help America Vote Act (HAVA) remains the top priority for the SOS
- Campaign finance requirements as a result of H.B. 1 of the Special Session of the 125th General Assembly will offer budget challenges to the SOS in the upcoming biennium

OVERVIEW

Duties and Responsibilities

The Office of the Secretary of State (SOS) has two program areas: Elections Oversight and Administration (EOA) and Business Services. About 82% or 133 of all SOS staff will work exclusively in the Business Services program series in the FY 2006-2007 biennium. About 18% or 30 employees work in the Elections Oversight and Administration program series. While the central administration and technology support positions support both program series, they primarily service the Business Services program series. Therefore, they have been included in the staffing level for that program series.

Elections

The SOS oversees Ohio elections and supervises the 88 county boards of elections in their duties related to conducting elections. As Ohio's chief election officer, the Secretary of State supervises the administration of election laws, approves ballot language, and reviews statewide initiative and referendum petitions.

The SOS also chairs the Ohio Ballot Board, which approves ballot language for statewide issues, canvasses votes for all elected state offices and election issues, investigates election fraud, and trains election officials. Ohio's Ballot Board, in compliance with H.B. 445 of the 124th General Assembly, has new responsibilities for completing an analysis of the pros and cons on state issues and presenting those arguments for constitutional amendments, initiative petitions, and referendum petitions when persons otherwise responsible for the completion of arguments fail to prepare and file them within the required timeframe.

The Elections Division compiles and maintains election statistics, political party records, and other election-related records. The Elections Division also licenses ministers to perform marriage ceremonies and maintains certain other public records related to state and local governments.

Agency in Brief

Agency In Brief					
Number of Employees*	Total Appropriations-All Funds		GRF Appropriations		Appropriation Bill(s)
	2006	2007	2006	2007	
163	\$55,423,203	\$17,987,000	\$2,971,585	\$2,971,585	Am. Sub. H.B. 66

*Employee count obtained from the Department of Administrative Services payroll reports as of June 2005.

Help America Vote Act Implementation

The SOS is also responsible for meeting the requirements of the Help America Vote Act of 2002 (HAVA). The SOS will receive \$37.4 million in federal funding in FY 2006 to assist in the purchasing of these optical scan devices. This is in addition to the approximately \$79.3 million in FY 2005 for the purchase of voting machines as well.

Campaign Finance Law Changes – H.B. 1 of the 125th Special Session

The SOS also anticipates increased costs as a result of H.B. 1 of the Special Session of the 125th General Assembly. The bill amended current campaign finance law. Several new filing requirements were created in the bill. In addition to these new filing requirements, the SOS's office will also be required to make this information available to the general public on their web site. The SOS indicated that the overall fiscal results of this legislation are not yet known. However, additional staff may be necessary to adequately fulfill the bill's requirements. Also, current staff will need to be trained. In addition, the SOS indicated that upgrades in software, as well as a potential need for new servers may be necessary to enable the office to make filing information available on its web site.

Business Services

The Business Services Division receives and approves articles of incorporation for Ohio corporations and grants licenses to out-of-state corporations seeking to do business in Ohio. Limited partnerships and limited liability companies also must file. The Corporations section keeps a registry of information about each corporation in Ohio. In order to claim an interest in collateral used for a loan and to have the claim indexed for public notice, secured parties must file financing statements with the Uniform Commercial Code section of the Business Services Division.

A recent change in the way certain business filing fees are handled has had an important effect on the revenues flowing to the Business Services division. Sub. S.B. 74 of the 124th General Assembly requires the SOS to reimburse county recorders in all 88 counties on a graduated scale for loss of revenue based on the Uniform Commercial Code (UCC) filings that each county filed in 1998. Counties experienced the loss of UCC filing fees for secured transactions when these fees were turned over to the SOS in FY 2002. Payments from the SOS to counties in FY 2005 will amount to \$893,667.

The Business Services Division is currently funded entirely through rotary fund revenue. In the past, various fee distribution methods have been used. Most recently, prior to the SOS's authority to retain 100% of fees collected through the Business Services Division, one-half of the fees collected were allocated to the General Revenue Fund (GRF) and one-half of fees collected were retained by the Business Services Division. And prior to that period, the fees were split so that 15% was directed to the Business Services Division and 85% was directed to the General Revenue Fund. In net dollars, compared with FYs 2000-2001, the SOS has reduced its fiscal demand on the General Revenue Fund by approximately \$4 million per fiscal year.

Notary Services

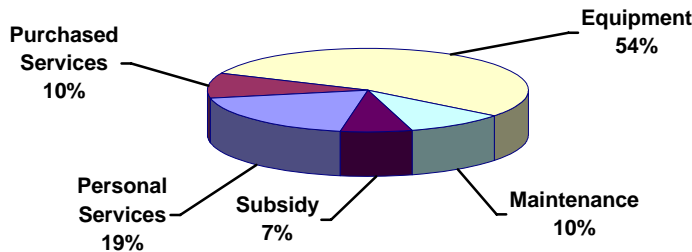
The SOS has also incorporated the Notary Commission into its budget. The Commission was formerly within the Governor's budget. The Notary Commission is responsible for processing applications and issuing commissions for notaries public, attorney notaries public, special police officers, and Department of Natural Resources Reserve Officers.

Enacted Budget Totals, FYs 2006-2007

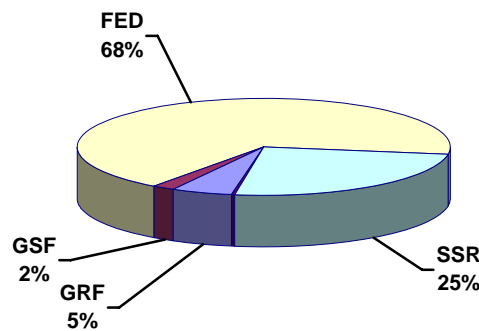
The enacted budget appropriates \$55,423,203 in FY 2006 and \$17,987,000 in FY 2007. The FY 2006 amount reflects an expected \$37.44 million for the purchase of HAVA-compliant voting machines. The pie chart below shows the recommended appropriations for the FY 2006-2007 biennium by expense type. The "Equipment" category constitutes over one-half of the SOS's appropriation for the upcoming biennium, and as mentioned above, includes the purchasing of Direct Recording Electronic or optical scan voting machines to comply with HAVA guidelines. "Subsidy" refers to scheduled reimbursements made to counties as a result of S.B. 74 of the 124th General Assembly, for the loss in lien filing fees formerly paid to county recorders, which are now paid to the SOS.

The pie chart below shows the enacted FYs 2006-2007 funding levels by the source of funds. Federal funding comprises over two-thirds of the SOS's funding in the upcoming biennium. This is primarily due to the appropriation of \$37.48 million in federal funding for the purpose of purchasing DRE or optical scan voting machines. Approximately one-fourth of the SOS's budget is comprised of state special revenue that is generated from UCC and corporate filing fees.

Total Budget by Object Code, FYs 2006-2007



Total Budget by Fund Group, FYs 2006-2007



Vetoed Provisions

The Governor did not veto any items affecting the SOS budget.

ANALYSIS OF THE ENACTED BUDGET

Program Series 1

Elections Oversight and Administration

Purpose: To oversee, administer, and uphold Ohio's election laws.

The following table shows the line items that are used to fund the Elections Oversight and Administration program series, as well as the enacted budget funding levels.

Fund	ALI	Title	FY 2006	FY 2007
General Revenue Fund				
GRF	050-321	Operating Expenses	\$2,585,000	\$2,585,000
GRF	050-403	Election Statistics	\$103,936	\$103,936
GRF	050-407	Poll Workers Training	\$277,997	\$277,997
GRF	050-409	Litigation Expenses	\$4,652	\$4,652
General Revenue Fund Subtotal			\$2,971,585	\$2,971,585
State Special Revenue Fund				
3AS	050-616	2005 HAVA Voting Machines	\$37,477,203	\$0
State Special Revenue Fund Subtotal			\$37,477,203	\$0
General Services Fund				
414	050-602	Citizen Education Fund	\$75,700	\$55,712
4S8	050-610	Board of Voting Machine Examiners	\$7,200	\$7,200
General Services Fund Subtotal			\$82,900	\$62,912
Total Funding: Elections Oversight and Administration			\$40,531,688	\$3,034,497

This analysis focuses on the following specific programs within the Elections Oversight and Administration program series:

- **Election Reform**
- **Elections Program Management**
- **Poll Workers Training**
- **Election Statistics**
- **Citizen Education**
- **Board of Voting Machine Examiners**
- **Litigation**

Election Reform

Program Description: The Election Reform program is used for the purpose of purchasing new voting equipment, upgrading the voter registration system, and complying with accessibility issues for Ohio's counties, and any other elections systems improvements that are required for compliance with federal and state law.

Funding Source: Federal Special Revenue funding

Implication of the Enacted Budget: Funding will permit the SOS to purchase necessary voting equipment for compliance with HAVA and H.B. 262 of the 125th General Assembly.

Temporary Law Provisions: 2005 HAVA Voting Machines (Section 209.93). Transfers the unexpended, unencumbered amount of appropriation item 050-615, 2004 HAVA Voting Machines, to appropriation item 050-616, 2005 HAVA Voting Machines on July 1, 2005 or as soon as possible thereafter.

Elections Program Management

Program Description: This program is used to handle public requests for information, oversee publications of the Ohio Municipal Roster, Federal Roster, Ohio Session Laws, and voter registration forms for the state tax booklet. These are statutorily mandated requirements. This program also issues monthly reports geared toward the 88 county boards of elections, and pamphlets such as the Voter Information Guide, Campaign Finance Handbook, and the Citizen Digest.

Funding Source: GRF

Implication of the Enacted Budget: This program is funded at the level requested by the SOS. However, recent campaign finance legislation, H.B. 1 of the Special Session of the 125th General Assembly may impact this program. This legislation requires a greater number of filings of campaign finance documents. In addition, the SOS must make this information available to the public. Because of these requirements, the SOS may need to hire additional staff. Current staff will also have to be trained in the necessary campaign finance requirements. The SOS also anticipates the need to upgrade current software, as well as potentially purchase additional hardware to make this information available to the public on the SOS's web site.

The SOS's office also experienced greater than anticipated costs as a result of the 2004 presidential election. As an example, to ensure that the SOS's web site could withstand the increased user traffic that would result from the election, the SOS conducted web site testing. The test was conducted to ensure that the SOS web site could withstand 250,000 hits per five seconds. The cost of the test was approximately \$40,000.

Temporary and Permanent Law Provisions: None

Poll worker Training

Program Description: Section 3501.27 of the Ohio Revised Code requires that each board of elections establish a program as prescribed by the SOS for the instruction of election officers in the rules, procedures, and laws relating to elections. The statute also mandates that the SOS reimburse each county for the cost of these training programs once a statement of expenses is received.

Funding Source: GRF

Implication of the Enacted Budget: This program is funded at the requested level. It is difficult to determine whether or not training costs will increase for various counties depending upon what vendor is selected to provide new voting equipment. As of September 2005, all 88 counties have selected a vendor to provide voting machines and the Controlling Board has approved the contracts for all three vendors providing machines. It is not yet known when the counties will receive the new machines.

Temporary and Permanent Law Provisions: None

Election Statistics

Program Description: As required by section 3503.27 of the Ohio Revised Code, the SOS must maintain a master file of all registered voters in Ohio. This program also is used to provide electronically compiled election results from legislative, statewide, presidential and congressional races, and statewide ballot issues.

Funding Source: GRF

Implication of the Enacted Budget: This program is funded at the originally requested level.

Temporary and Permanent Law Provisions: None

Citizen Education

Program Description: This program is used to provide for the preparation, printing, and distributing of educational materials. This program also conducts voter registration, educational workshops, and conferences for schools and other public groups.

Funding Source: GSF

Implication of the Enacted Budget: The various citizen's education programs will continue dependent upon the level of contributions received, reflecting the small appropriation of \$75,700 in FY 2006 and \$55,712 in FY 2007.

Temporary and Permanent Law Provisions: None

Board of Voting Machine Examiners

Program Description: This program is used to certify voting equipment that is to be used in Ohio elections. Compensation and expenses incurred by the board members in the certification process is paid from this program.

Funding Source: GSF

Implication of the Enacted Budget: This program is funded at the originally requested level. This board is responsible for approving the voting systems used by all 88 counties. Approved voting machine vendors include Diebold, ES&S, and Hart Intercivic.

Temporary and Permanent Law Provisions: None

Litigation

Program Description: This program is used to cover the legal expenses incurred by the SOS's office in defending cases involving disputes over election of judges from at-large districts, and minority voting rights.

Funding Source: GRF

Implication of the Enacted Budget: This request is funded at the requested level. However, there have been some greater than anticipated costs from this program as a result of the 2004 presidential election. Thirty-nine pre-election lawsuits were filed against the SOS's office prior to the presidential election. The anticipated costs of these lawsuits is approximately \$550,000-\$600,000 for FY 2005. Litigation regarding this matter is still ongoing, so final expenses are not yet known.

Temporary and Permanent Law Provisions: None

Program Series 2

Business Services

Purpose: To license and keep records regarding corporations and commercial transactions in Ohio.

The following programs are funded in this program series.

Fund	ALI	Title	FY 2006	FY 2007
State Special Revenue Fund				
599	050-603	Business Services Operating Expenses	\$13,741,745	\$13,741,745
5N9	050-607	Technology Improvements	\$129,565	\$129,565
State Special Revenue Fund Subtotal			\$13,871,310	\$13,871,310
General Services Fund				
413	050-601	Information Systems	\$169,955	\$169,955
General Services Fund Subtotal			\$169,955	\$169,955
Holding Account Redistribution Fund				
R01	050-605	Uniform Commercial Code Refunds	\$65,000	\$65,000
R02	050-606	Corporate/Business Filings Refunds	\$100,000	\$100,000
Holding Account Redistribution Fund Subtotal			\$165,000	\$165,000
Total Funding: Business Services			\$14,206,265	\$14,206,265

This analysis focuses on the following specific programs within the program series:

- **Business Services Program Management**
- **Uniform Commercial Code Refund**
- **Corporation Filing Fee Refund**
- **Technology Improvements**

Business Services Program Management

Program Description: The SOS is required to file and maintain records relating to Ohio corporations, foreign corporations, and other business entities. This program is also used to process and maintain citizen's corporation and Uniform Commercial Code filings in a timely fashion.

Funding Source: Filing fees for each UCC document that is filed

Implication of the Enacted Budget: The SOS asked for a reduction in appropriation this biennium. This was due to the SOS farming out some of these services to a call center on August 1,

2004. As a result of this, there were between 13 and 15 layoffs. While payroll for this program has decreased, there is an increase in the amount of the appropriation that is used for purchased services. In addition, the SOS will be required to transfer \$1 million from the Business Services Operating Expenses Fund to the GRF in each fiscal year of the biennium. This will reduce the SOS's ability to operate its Business Services program relying solely on revenues brought in by the Business Services Fund.

Temporary and Permanent Law Provisions: Transfer to GRF (Section 209.93). Requires the OBM Director to transfer \$1,000,000 from the Corporate Uniform Commercial Code Filing Fund, known as the Business Services Operating Expenses Fund (Fund 599), within the General Services Fund group, to the GRF no later than the first day of June in each year of the biennium. As noted previously, this will diminish the fund balance considerably.

Uniform Commercial Code Refund

Program Description: This program is used for the purpose of refunding fees to senders in correlation with UCC filings that are not accepted by the SOS or refunds made due to overpayment of filing fees.

Funding Source: Refunds on corporate filings

Implication of the Enacted Budget: This program is funded at the requested level. The SOS will be able to repay any individuals that have overpaid or have had a UCC filing rejected.

Corporate Filing Fee Refund

Program Description: This program is used to refund filing fees to senders in correlation with Corporation filings that are not accepted by the SOS or refunds made due to overpayment of filing fees.

Funding Source: Refunds on corporate filings

Implication of the Enacted Budget: This program is used to refund filing fees to senders in correlation with Corporation filings that are not accepted by the SOS or refunds made due to overpayment of filing fees.

Temporary and Permanent Law Provisions: None

Technology Improvements

Program Description: This program is used for the storage and retrieval of all public data maintained in the SOS's office. This program also seeks to increase capabilities by providing on-line transactions, downloadable forms, and access to public records including corporate and UCC information.

Funding Source: SSR

Implication of the Enacted Budget: This program is funded at the originally requested level of \$129,565 in each year. Approximately 1% of the revenue collected from filing fees deposited to the Corporate and Uniform Commercial Code Filing Fund (Fund 599) is kept for the purpose of supporting this fund.

Temporary and Permanent Law Provisions: None

Program Series 3**Notary Services**

Purpose: To process applications and issue commissions for notaries public, attorney notaries public, special police officers, and Department of Natural Resources reserve officers.

The following table shows the line items that are used to fund the Notary Services program series, as well as the enacted budget funding levels.

Fund	ALI	Title	FY 2006	FY 2007
General Services Fund				
412	050-609	Notary Commission	\$685,250	\$685,249
General Services Fund Subtotal			\$685,250	\$685,249
Total Funding: Notary Services			\$685,250	\$685,249

Notary Services

Program Description: The Notary Services program series is responsible for processing applications and issuing commissions for notaries public, attorney notaries public, special police officers, and ODNR Reserve Officers. This program is also used for the issuance of new commissions and renewals, public inquiries regarding the status of applications, and processing duplicate commissions, which have been lost, or have had a legal name change.

Funding Source: \$15 paid for notary public and other license types

Implication of the Enacted Budget: This program is funded at the originally requested level. The SOS charges fees for the issuance of Notary Commissions. The fees collected are used to support the fund. This line item has received an increased appropriation, which is actually a shift of cash from the business services line item.

Temporary and Permanent Law Provisions: None

Program Series 4**Law Related Education**

Purpose: To support a federal youth-for-justice anti-violence program in middle schools across Ohio.

The following table shows the line items that are used to fund the Law Related Education program series, as well as the enacted budget funding levels.

Fund	ALI	Title	FY 2006	FY 2007
General Services Fund				
3X4	050-612	Ohio Cntrl/Law Related Educ Grant	\$41,000	\$41,000
General Services Fund Subtotal			\$41,000	\$41,000
Total Funding: Law Related Education			\$41,000	\$41,000

Law Related Education

Program Description: This program series is used to support a youth-for-justice antiviolence program in middle schools across Ohio. The SOS serves as the subgrantee for the federal grant awarded to the Ohio Center for Law Related Education. This program also provides training for team advisors who teach students critical thinking skills to create safe, peaceful schools and communities.

Funding Source: FSR

Implication of the Enacted Budget: This program is funded through the federal Byrne Memorial Grant Program. The remainder is funded by the Office of Criminal Justice Services.