

LSC Greenbook

Analysis of the Enacted Budget

Secretary of State

Terry Steele, Senior Budget Analyst
Legislative Service Commission

July 2013

TABLE OF CONTENTS

OVERVIEW	1
Responsibilities	1
Appropriations Summary for the FY 2014-FY 2015 Biennium	1
Statutory Provisions in H.B. 59 that Affect the Secretary of State	2
Canceled corporate charters.....	2
UCC Financing Statements and Amendments.....	2
Surety Bonds for State Elected Office Holders and Other Officials.....	3
Campaign Finance Law Changes	3
ANALYSIS OF ENACTED BUDGET	4
Category 1: Elections Division	4
Operating Expenses (050321)	4
Poll Workers Training (050407)	5
Board of Voting Machine Examiners (050610).....	5
BOE Reimbursement and Education (050620).....	5
Election Reform/Health and Human Services (050614)	5
Help America Vote Act (HAVA) (050616)	6
Miscellaneous Federal Grants (050624)	6
Category 2: Business Services Division	7
Business Services Operating Expense (050603)	7
Notary Commission (050609).....	8
Information Systems (050601).....	8
Uniform Commercial Code and Corporate/Business Filing Refunds (050605 and 050606).....	8
ATTACHMENT:	
Budget Spreadsheet By Line Item	

Secretary of State

- Total appropriations of \$39.2 million for the biennium
- Nearly 74% of the budget supported by business filing fees
- Approximately \$1.6 million reduction in federal HAVA spending

OVERVIEW

Responsibilities

As Ohio's chief election officer, the Secretary of State supervises the administration of election laws and the 88 county boards of elections. The Secretary of State also chairs the five-member Ohio Ballot Board, which approves statewide ballot language, reviews statewide initiative and referendum petitions, and informs voters about proposed ballot issues. In overseeing elections, the Secretary of State compiles and maintains election statistics, political party records, and other related records, including campaign finance reports filed by candidates running for statewide office, the General Assembly, and political action committees. These responsibilities are handled by the Elections Division. A second division, the Business Services Division, is responsible for overseeing business licensing and various filings under the Uniform Commercial Code (UCC). The Business Services Division also houses the Notary Commission, which is responsible for processing applications and issuing commissions for notaries public, attorney notaries public, special police officers, and Department of Natural Resources Reserve Officers. Overall, the Secretary of State employs 149 people according to June 2013 payroll records.

Appropriations Summary for the FY 2014-FY 2015 Biennium

As Table 1 shows, the appropriations for the Secretary of State are \$19.6 million in both FY 2014 and FY 2015, or 5.0% lower than total FY 2013 spending of \$20.6 million.

Fund Group	FY 2013*	FY 2014	% change, FY 2013-FY 2014	FY 2015	% change, FY 2014-FY 2015
General Revenue	\$2,612,421	\$2,378,226	-9.0%	\$2,378,226	0.0%
General Services	\$968,709	\$611,200	-36.9%	\$611,200	0.0%
State Special Revenue	\$13,025,715	\$14,385,400	10.4%	\$14,385,400	0.0%
Federal Special Revenue	\$3,899,783	\$2,110,000	-45.9%	\$2,110,000	0.0%
Holding Account Redistribution	\$130,701	\$115,000	-12.0%	\$115,000	0.0%
TOTAL	\$20,637,328	\$19,599,826	-5.0%	\$19,599,826	0.0%

*FY 2013 figures represent actual expenditures.

There is a considerable decline in appropriations within the Federal Special Revenue Fund Group in the FY 2014-FY 2015 biennium. This federal funding is used to ensure that Ohio's voting procedures comply with requirements under the Help America Vote Act (HAVA). There has not been any additional federal funding for HAVA since federal FY 2010. As such, the balance in the Help America Vote Act Fund (Fund 3AS0) has steadily diminished, standing at \$3.8 million in July 2013. To reflect the diminished funding available, Fund 3AS0 appropriation item 050616, Help America Vote Act (HAVA), is \$1.7 million in each fiscal year, or 49.4% lower than the \$3.4 million spent in FY 2013.

Statutory Provisions in H.B. 59 that Affect the Secretary of State

Canceled Corporate Charters

The budget contains provisions that require the Secretary of State to undertake additional procedures related to canceling corporate charters for dissolving entities. These provisions include contacting the Department of Taxation about the tax liabilities of dissolving corporations, as well as notifying applicable county recorders once the Secretary of State has canceled articles of incorporation in certain circumstances. This may result in some additional revenue for both the Secretary of State and for county recorders. Specifically, if a corporation wishes to reinstate its charter, the corporation must pay a reinstatement fee of \$25, to be credited to the Corporate and Uniform Commercial Code Filing Fund (Fund 5990). If the certificate of reinstatement is filed with the county recorder, then a separate base fee of \$3 is collected by the county recorder, as well as \$3 which is remitted to the Low- and Moderate-Income Housing Trust Fund (Fund 6460) under the Development Services Agency budget.

UCC Financing Statements and Amendments

H.B. 59 also repeals forms prescribed in current law for a financing statement required for secured transactions under the Uniform Commercial Code (UCC) and amendments to a financing statement. The provision in H.B. 59 instead requires that a filing office accept a written record in the form and format set out in the official text of the 2010 amendments to Article 9 of the UCC promulgated by the American Law Institute and the National Conference of Commissioners on Uniform State Laws for financing statements or, for amendments, as set out in form UCC3 and form UCC3Ad in the final official text of the 2010 amendments to Article 9 of the UCC promulgated by those entities. The change does not appear to have any direct effect on the Secretary of State.

Surety Bonds for State Elected Office Holders and Other Officials

H.B. 59 also eliminates provisions in current law requiring that statewide elected office holders give a surety bond to the state that has been issued by a surety provider approved by the Governor, and instead allows the bond to be issued by any surety provider authorized to do business in the state.

Campaign Finance Law Changes

H.B. 59 contains various provisions affecting election campaign finance law that do not directly affect the operations of the Secretary of State. Please consult LSC's Final Analysis for further discussion of these provisions.

ANALYSIS OF ENACTED BUDGET

Category 1: Elections Division

This category of appropriations funds the Secretary of State's Elections Division, which is responsible for the administration and oversight of all elections in the state, as well as poll worker training. Approximately 51.9% of the proposed funding for these activities is supported by the GRF. About 48.1% of funding in each fiscal year comes from federal sources and is related to implementation of Help America Vote Act (HAVA) requirements.

Appropriations for the Elections Division				
Fund	ALI and Name		FY 2014	FY 2015
General Revenue Fund				
GRF	050321	Operating Expenses	\$2,144,030	\$2,144,030
GRF	050407	Poll Workers Training	\$234,196	\$234,196
General Revenue Fund Subtotal			\$2,378,226	\$2,378,226
General Services Fund Group				
4S80	050610	Board of Voting Machine Examiners	\$7,200	\$7,200
5FG0	050620	BOE Reimbursement and Education	\$80,000	\$80,000
General Services Fund Group Subtotal			\$87,200	\$87,200
Federal Special Revenue Fund Group				
3AH0	050614	Election Reform/Health and Human Services	\$300,000	\$300,000
3AS0	050616	Help America Vote Act (HAVA)	\$1,710,000	\$1,710,000
3FM0	050624	Miscellaneous Federal Grants	\$100,000	\$100,000
Federal Special Revenue Fund Group Subtotal			\$2,110,000	\$2,110,000
Total Funding: Elections Division			\$4,575,426	\$4,575,426

Operating Expenses (050321)

This GRF line item is used to pay for the expenses that the Secretary of State incurs for administering elections. The appropriation for this line item is approximately \$2.1 million in both FY 2014 and FY 2015, matching FY 2013 expenditures for this purpose. Specifically, this line item funds the salaries of Elections Division employees, although additional payroll funding is supplied from the Business Services Fund (Fund 5990).

The Elections Division is divided into three areas. The Elections Section provides instructions and develops procedures for conducting elections, and prescribes applicable forms for voter registration, petitions, and ballot language. The Campaign Finance Section receives, processes, and examines all submitted campaign finance

statements. The Field Services Section acts as a liaison between the Secretary of State and county boards of elections, and distributes elections-related information to citizens.

Poll Workers Training (050407)

Boards of elections are required to establish a poll worker training program. The boards are responsible for initial and ongoing training of poll workers and presiding judges. Training occurs twice per year. The Secretary of State annually reimburses counties for those expenses once a statement of expenses has been received. Additionally, the office maintains online training sessions and training materials for poll workers on its web site. This GRF line item pays for those reimbursements. The appropriation for this line item is \$234,196 in both FY 2014 and FY 2015, a decrease of 50.0% from FY 2013 spending of \$468,392. In Presidential election years, the Secretary of State has used the Help America Vote Act (HAVA) Fund (Fund 3AS0) to help supplement the costs of poll worker training.

Board of Voting Machine Examiners (050610)

This line item is used to pay for services and expenses of the members of the Board of Voting Machine Examiners. The line item is also used to pay for the cost of examining, testing, and certifying voting machine devices. The funding for these purposes is derived from fees charged to voting machine vendors for the certification of those machines. Board members are compensated \$300 a day and reimbursed for expenses up to \$600. The appropriation for this line item is \$7,200 in both FY 2014 and FY 2015, a decrease of 12.6% from FY 2013 spending of \$8,237 in this area.

BOE Reimbursement and Education (050620)

This line item is used to reimburse boards of elections (BOE) for the costs of certain special elections and recounts. This line item is funded through the BOE Reimbursement and Education Fund (Fund 5FG0), which receives transfers from the GRF upon application to and approval of the amounts by the Controlling Board. The budget appropriates \$80,000 in each fiscal year for this line item, an increase of 130.7% from FY 2013 spending of \$34,671 for these reimbursements. Note, however, that this line item is used on an as-needed basis. That is, the amount reimbursed from this line item will vary from year to year based upon any special elections or recounts.

Election Reform/Health and Human Services (050614)

Federal Special Revenue Fund 3AH0 appropriation item 050614, Election Reform/Health and Human Services, is used to meet the requirements of the Americans with Disabilities Act (ADA) in accordance with state and federal law applying to accessibility and voter education. H.B. 59 appropriates \$300,000 in both FY 2014 and FY 2015 for these purposes, a decrease of 31.2% from FY 2013 spending of \$436,251. These funds are typically used to make construction improvements to voting facilities

to allow for better handicapped access, or to acquire certain voting machines for handicapped individuals.

Help America Vote Act (HAVA) (050616)

Federal Special Revenue Fund 3AS0 appropriation item 050616, Help America Vote Act (HAVA), is used to improve the statewide voter registration database and improve, replace, or buy new voting systems and technology. The appropriation for this line item is \$1.7 million in both FY 2014 and FY 2015, a decrease of 49.4% from FY 2013 spending of \$3.4 million for these various purposes. As discussed in the **Overview**, this reduction is a reflection of the diminished federal funding the Secretary of State has available to meet certain HAVA requirements. The July 2013 cash balance in Fund 3AS0 was \$3.8 million.

Miscellaneous Federal Grants (050624)

Federal Special Revenue Fund 3FM0 appropriation item 050624, Miscellaneous Federal Grants, is used for elections-related projects that are supported with federal funds. This line item is currently being used to acquire and use technology to streamline the absent voting process for military and overseas voters, provide equipment to county boards of elections for this processing work, and to assist in working with Ohio universities to collect data and identify issues faced by these voters and related to this process. Appropriations for these purposes are \$100,000 in both FY 2014 and FY 2015, an increase of 23.1% from FY 2013 spending of \$81,260.

Category 2: Business Services Division

The line items in this category are used to fund the Business Services Division. The Division is responsible for handling articles of incorporation for Ohio corporations and granting licenses to out-of-state corporations seeking to do business in Ohio. The Division is also responsible for processing numerous types of filings under the Uniform Commercial Code (UCC). Business filing fees deposited into the Corporate and Uniform Commercial Code Filing Fund (Fund 5990) account for \$14.4 million (95.7%) of the funding for the Business Services Division. The Division receives no GRF funding.

Appropriations for the Business Services Division				
Fund	ALI and Name		FY 2014	FY 2015
General Services Fund Group				
4120	050609	Notary Commission	\$475,000	\$475,000
4130	050601	Information Systems	\$49,000	\$49,000
General Services Fund Group Subtotal			\$524,000	\$524,000
State Special Revenue Fund Group				
5990	050603	Business Services Operating Expense	\$14,385,400	\$14,385,400
State Special Revenue Fund Group Subtotal			\$14,385,400	\$14,385,400
Holding Account Redistribution Fund Group				
R001	050605	Uniform Commercial Code Refunds	\$30,000	\$30,000
R002	050606	Corporate/Business Filings	\$85,000	\$85,000
Holding Account Redistribution Fund Group Subtotal			\$115,000	\$115,000
Total Funding: Business Services Division			\$15,024,400	\$15,024,400

Business Services Operating Expense (050603)

The appropriation for this line item is \$14.4 million in both FY 2014 and FY 2015, an increase of 10.4% over the FY 2013 spending of \$13.0 million. This line item is used to pay the expenses associated with collecting and processing UCC filings as well as filings associated with corporations or partnerships. It supports personnel costs for Business Services Division employees as well as some of the costs for Elections Division employees. The revenue that supports the appropriation comes from fees charged for corporate and UCC filings. There are approximately 140 different UCC and business filings fees for the state. The Corporate and Uniform Commercial Code Filing Fund (Fund 5990) collected approximately \$15.9 million in fee revenue in FY 2013.

Canceled Corporate Charters

The budget contains provisions that require the Secretary of State to undertake additional procedures related to canceling corporate charters for dissolving entities. These provisions include contacting the Department of Taxation about the tax liabilities

of dissolving corporations, as well as notifying applicable county recorders once the Secretary of State has canceled articles of incorporation in certain circumstances. This may result in some additional revenue for both the Secretary of State and for county recorders. Specifically, if a corporation wishes to reinstate its charter, the corporation must pay a reinstatement fee of \$25, to be credited to the Corporate and Uniform Commercial Code Filing Fund (Fund 5990). If the certificate of reinstatement is filed with the county recorder, then a separate base fee of \$3 is collected by the county recorder, as well as \$3 which is remitted to the Low- and Moderate-Income Housing Trust Fund (Fund 6460) under the Development Services Agency budget.

Notary Commission (050609)

This line item is used to pay the expenses of the Notary Public Office, including the cost of issuing licenses. The appropriation for this line item is \$475,000 in each fiscal year, an increase of 11.1% from FY 2013 spending of \$427,694. The line item is funded through fees paid by individuals for notary public licenses. The Notary Commission Fund (Fund 4120) collected just over \$503,000 in revenues in FY 2013.

Information Systems (050601)

This line item is used to pay for the material and production costs for printouts and tapes containing voter registration data, electronic information requests for corporation lists, UCC lists, and other vendor-requested data. This line item is funded through fees charged to vendors making any such data requests. The appropriation for this line item is \$49,000 in both FY 2014 and FY 2015, which is a decrease of 5.6% from FY 2013 expenditures of \$51,889.

Uniform Commercial Code and Corporate/Business Filing Refunds (050605 and 050606)

These line items are within the Holding Account Redistribution Fund Group portion of the Secretary of State's budget. These two line items are used to pay out UCC and corporate filing fees that may be subject to refund due to the filing not being recorded, or filings for which there was an overpayment. The appropriation for these line items collectively is \$115,000 in both FY 2014 and FY 2015, a decrease of 12.1% from the FY 2013 spending of \$130,701.

SOS.docx/lb

FY 2014 - FY 2015 Final Appropriation Amounts

All Fund Groups

Line Item Detail by Agency

			FY 2012	FY 2013	Appropriation FY 2014	FY 2013 to FY 2014 % Change	Appropriation FY 2015	FY 2014 to FY 2015 % Change
Report For Main Operating Appropriations Bill			Version: Enacted					
SOS Secretary of State								
GRF	050321	Operating Expenses	\$ 2,143,989	\$ 2,144,029	\$ 2,144,030	0.00%	\$ 2,144,030	0.00%
GRF	050407	Poll Workers Training	\$ 0	\$ 468,392	\$ 234,196	-50.00%	\$ 234,196	0.00%
General Revenue Fund Total			\$ 2,143,989	\$ 2,612,421	\$ 2,378,226	-8.96%	\$ 2,378,226	0.00%
4120	050609	Notary Commission	\$ 457,140	\$ 427,694	\$ 475,000	11.06%	\$ 475,000	0.00%
4130	050601	Information Systems	\$ 36,982	\$ 51,889	\$ 49,000	-5.57%	\$ 49,000	0.00%
4S80	050610	Board of Voting Machine Examiners	\$ 11,620	\$ 8,237	\$ 7,200	-12.59%	\$ 7,200	0.00%
5FG0	050620	BOE Reimbursement and Education	\$ 2,816,715	\$ 34,671	\$ 80,000	130.74%	\$ 80,000	0.00%
5FH0	050621	Statewide Ballot Advertising	\$ 2,117,911	\$ 446,218	\$ 0	-100.00%	\$ 0	N/A
General Services Fund Group Total			\$ 5,440,368	\$ 968,709	\$ 611,200	-36.91%	\$ 611,200	0.00%
3AH0	050614	Election Reform/Health and Human Services	\$ 366,822	\$ 436,251	\$ 300,000	-31.23%	\$ 300,000	0.00%
3AS0	050616	Help America Vote Act (HAVA)	\$ 1,282,276	\$ 3,382,272	\$ 1,710,000	-49.44%	\$ 1,710,000	0.00%
3FM0	050624	Miscellaneous Federal Grants	\$ 0	\$ 81,260	\$ 100,000	23.06%	\$ 100,000	0.00%
Federal Special Revenue Fund Group Total			\$ 1,649,098	\$ 3,899,783	\$ 2,110,000	-45.89%	\$ 2,110,000	0.00%
5990	050603	Business Services Operating Expenses	\$ 12,518,228	\$ 13,025,715	\$ 14,385,400	10.44%	\$ 14,385,400	0.00%
State Special Revenue Fund Group Total			\$ 12,518,228	\$ 13,025,715	\$ 14,385,400	10.44%	\$ 14,385,400	0.00%
R001	050605	Uniform Commercial Code Refunds	\$ 11,988	\$ 3,419	\$ 30,000	777.45%	\$ 30,000	0.00%
R002	050606	Corporate/Business Filing Refunds	\$ 47,599	\$ 127,282	\$ 85,000	-33.22%	\$ 85,000	0.00%
Holding Account Redistribution Fund Group Total			\$ 59,587	\$ 130,701	\$ 115,000	-12.01%	\$ 115,000	0.00%
Secretary of State Total			\$ 21,811,269	\$ 20,637,328	\$ 19,599,826	-5.03%	\$ 19,599,826	0.00%