

# **LSC Greenbook**

**Analysis of the Enacted Budget**

**Secretary of State**

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## **ATTACHMENT:**

Budget Spreadsheet By Line Item

# Secretary of State

- Total appropriations of \$35.4 million for the biennium
- Over 80% of the biennium budget supported by business filing fees
- Most business filings have become available online

## 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.

The other major responsibility of the Secretary of State is to oversee business licensing in the state. This function is handled by the Business Services Division. In addition to these and other types of business filings, the Division handles a variety of Uniform Commercial Code (UCC) filings. The Business Services Division also houses the Notary Commission. Overall, between the two divisions, the Secretary of State employs 148 people according to June 2015 payroll records.

### Appropriations

Table 1. Appropriations by Fund Group, FY 2016-FY 2017					
Fund Group	FY 2015*	FY 2016	% change, FY 2015-FY 2016	FY 2017	% change, FY 2016-FY 2017
General Revenue	\$2,605,379	\$2,378,226	-8.7%	\$2,378,226	0.0%
Internal Service Activity	\$63,034	\$87,200	38.3%	\$87,200	0.0%
Dedicated Purpose	\$12,815,081	\$14,860,400	15.9%	\$14,860,400	0.0%
Federal	\$2,399,169	\$502,000	-79.1%	\$0	-100.0%
Holding Account	\$79,321	\$115,000	45.0%	\$115,000	0.0%
<b>TOTAL</b>	<b>\$17,961,985</b>	<b>\$17,942,826</b>	<b>-0.1%</b>	<b>\$17,440,826</b>	<b>-2.8%</b>

\*FY 2015 figures represent actual expenditures.

As Table 1 shows, the appropriations for the Secretary of State are \$17.9 million in FY 2016 and \$17.4 million in FY 2017. About \$14.8 million of the total amount appropriated each fiscal year is derived from business filing fees collected by the Business Services Division and accounted for under the Dedicated Purpose Fund Group. Approximately \$2.4 million of the amount appropriated in each fiscal year comes from the GRF. Note that there is a substantial decrease in spending from federal sources in the budget for the FY 2016-FY 2017 biennium, largely because Ohio's share of federal funding issued as part of the Help America Vote Act (HAVA) has been depleted, with no additional amounts expected to be forthcoming. The remaining cash balance of \$502,000 is expected to be used in FY 2016. Additionally, federal grants previously used for other election-related activities will not be available in the upcoming biennium.

## **Noteworthy Budget Provisions and Other Issues**

### **Absent Voter's Ballot Applications**

The budget contains a provision that creates the Absent Voter's Ballot Application Mailing Fund (Fund 5RG0), to be used by the Secretary of State to pay for the costs incurred by the Secretary of State for printing and mailing unsolicited absent voter's ballot applications. Current law specifies that the Secretary of State can mail out such applications only if the General Assembly makes funding available to do so. The budget funds this printing and mailing process by transferring \$1.25 million in cash from FY 2015 surplus GRF revenue to the Absent Voter's Ballot Fund (Fund 5RU0), which is created in the budget under supervision of the Controlling Board. The Secretary of State would then request that the Controlling Board authorize the transfer of the required amounts to Fund 5RG0 to pay for the cost of printing and mailing unsolicited absent voter's ballots for the November 8, 2016 general election.

### **Acquisition of Electronic Pollbooks**

The budget contains a provision that requires the Department of Administrative Services, in conjunction with the Secretary of State, to establish criteria and procedures to allow counties to acquire electronic pollbooks through the Department of Administrative Services through the newly created Electronic Pollbook Fund (Fund 5RT0). The budget capitalizes this fund through a transfer of \$12.75 million from FY 2015 GRF surplus revenues. The state would bear 85% of the cost of this equipment, while counties would be responsible for the remaining 15% share.

### **H.B. 3 – Filing Fee Reductions**

H.B. 3, enacted by the General Assembly in the spring of 2015 and effective November 2015, reduces various filing fees charged and collected by the Secretary of State. First, for corporations that do not issue shares of capital stock, the bill reduces the

fee for filing and recording articles of incorporation from \$125 to \$99. For stock-issuing corporations, the minimum filing fee of \$125 is reduced to \$99; however, the maximum filing fee of \$100,000 is unchanged by the bill. Under current law, the filing fee for stock-issuing corporations is calculated based on how many shares of stock the corporation is authorized to issue. In addition to these fee reductions, Table 2 below lists the other fee reductions included in the bill.

<b>Table 2. Secretary of State Filing Fee Reductions in H.B. 3</b>		
<b>Type of Filing</b>	<b>Previous Fee</b>	<b>New Fee</b>
Articles of Incorporation – Savings and Loan	\$125	\$99
Certificate of Conversion, Merger, or Consolidation and Designation of Agent	\$125	\$99
Articles of Incorporation – Credit Union or American Credit Union Guaranty Association	\$125	\$99
Articles of Organization of LLC, Application of Registered Foreign LLC, and Registration Application of Domestic or Foreign LLP	\$125	\$99
Certificate of Limited Partnership, Application of Registration as a Foreign Limited Partnership, or Initial Statement of Partnership Authority	\$125	\$99
License to Transact Business in Ohio by a Foreign Profit or Nonprofit Corporation	\$125	\$99
Report to Operate a Business Trust or Real Estate Investment Trust, Foreign or Domestic	\$125	\$99
Recordation of a Trade Name or Fictitious Name Registration	\$50	\$39
Exclusive Right for Name Use or Application to Reserve a Name	\$50	\$39

## 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 80.1% of the funding for these activities is supported by the GRF in FY 2016. A portion of FY 2016 funding (16.9%) comes from federal sources and is related to implementation of Help America Vote Act (HAVA) requirements. No federal funding for these purposes is available for FY 2017. As a result, GRF funding will support 96.5% of funding for this category of appropriations in FY 2017.

<b>Appropriations for the Elections Division</b>				
<b>Fund</b>	<b>ALI and Name</b>		<b>FY 2016</b>	<b>FY 2017</b>
<b>General Revenue Fund</b>				
GRF	050321	Operating Expenses	\$2,144,030	\$2,144,030
GRF	050407	Poll Workers Training	\$234,196	\$234,196
<b>General Revenue Fund Subtotal</b>			<b>\$2,378,226</b>	<b>\$2,378,226</b>
<b>Internal Service Activity Fund Group</b>				
4S80	050610	Board of Voting Machine Examiners	\$7,200	\$7,200
5FG0	050620	BOE Reimbursement and Education	\$80,000	\$80,000
<b>Internal Service Activity Fund Group Subtotal</b>			<b>\$87,200</b>	<b>\$87,200</b>
<b>Federal Fund Group</b>				
3AS0	050616	Help America Vote Act (HAVA)	\$502,000	\$0
<b>Federal Fund Group Subtotal</b>			<b>\$502,000</b>	<b>\$0</b>
<b>Total Funding: Elections Division</b>			<b>\$2,967,426</b>	<b>\$2,465,426</b>

#### 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 2016 and FY 2017. Specifically, this line item funds the salaries of Elections Division employees. In previous fiscal years, additional payroll funding was supplied by appropriations from the Business Services Fund (Fund 5990). However, all Elections Division payroll will be paid from this line item during the FY 2016-FY 2017 biennium.

**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 website. This GRF line item pays for those reimbursements. The appropriation for this line item is \$234,196 in both FY 2016 and FY 2017. This level of funding matches the amount spent on poll worker training during the previous biennium.

**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 2016 and FY 2017.

**BOE Reimbursement and Education (050620)**

The appropriation for this line item is \$80,000 in each fiscal year. 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. Because this line item is used on an as-needed basis, funding can be increased by the Controlling Board when required.

**Help America Vote Act (HAVA) (050616)**

The appropriation for this line item is \$502,000 in FY 2016. No funding for FY 2017 is provided, as the available money will have been exhausted. This line item is used to carry out HAVA-related requirements through federal money deposited into the Help America Vote Act Fund (Fund 3AS0). These responsibilities include (1) improving the statewide voter registration database, (2) ameliorating, acquiring, leasing, modifying, or replacing voting systems and technology, and (3) implementing the Military and Overseas Voter Empowerment (MOVE) Act.

No federal funding for HAVA-related purposes has been received since federal fiscal year (FFY) 2010. The Secretary of State anticipates that Fund 3AS0 is likely to be depleted by the end of FY 2016. The remaining fund balance will allow the Secretary of State to maintain systems hardware and software for the statewide voter registration database and county voting machines, but upgrades or expansions will not likely be

possible. Nor will the available cash balance in the fund allow for the Secretary of State to pay for backup paper ballots in select counties, or to supplement poll worker training costs as it has in the past from this source of funding. Ultimately, it appears as though the cost of carrying out many of the HAVA requirements will have to be shifted to the Business Services Fund (Fund 5990).

Additionally, previous federal funding made available in the Election Reform/HHS Fund (Fund 3AH0) has been used to meet the requirements of the Americans with Disabilities Act (ADA) for accessibility and voter education purposes. These funds were used to provide for better handicapped access and to acquire certain voting machines for handicapped individuals. No federal funding for these purposes is expected in the FY 2016-FY 2017 biennium. However, since the Secretary of State will still be responsible for meeting these ADA requirements, any related costs in this area would be paid from Fund 3AS0, and once that source of money is exhausted, Fund 5990.

## 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 Business Services Fund (Fund 5990) account for \$14.4 million (99.2%) of the funding appropriated for the Business Services Division. The remainder is budgeted for filing refunds. The Division receives no GRF funding.

Appropriations for the Business Services Division				
Fund	ALI and Name		FY 2016	FY 2017
<b>Dedicated Purpose Fund Group</b>				
4120	050609	Notary Commission	\$475,000	\$475,000
5990	050603	Business Services Operating Expense	\$14,385,400	\$14,385,400
<b>Dedicated Purpose Fund Group Subtotal</b>			<b>\$14,860,400</b>	<b>\$14,860,400</b>
<b>Holding Account Fund Group</b>				
R001	050605	Uniform Commercial Code Refunds	\$30,000	\$30,000
R002	050606	Corporate/Business Filings	\$85,000	\$85,000
<b>Holding Account Fund Group Subtotal</b>			<b>\$115,000</b>	<b>\$115,000</b>
<b>Total Funding: Business Services Division</b>			<b>\$14,975,400</b>	<b>\$14,975,400</b>

### Business Services Operating Expense (050603)

The appropriation for this line item is \$14.4 million in both FY 2016 and FY 2017. 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, including the personnel costs for the Business Services Division. 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. H.B. 3 of the 131st General Assembly would reduce filing fee revenue by approximately \$2.0 million annually from the amounts currently collected, depending on the number and type of business filings in a given year. In FY 2015, Fund 5990 collected approximately \$16.2 million in license revenue.

H.B. 64, the main operating budget bill, abolishes the Information Systems Fund (Fund 4130). Previously, the Secretary of State used this fund 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. The fund receives fees charged to vendors making any such data requests. In the future,

these fees will be deposited into Fund 5990, and any associated costs with these services would be paid from appropriation item 050603, Business Services Operating Expense.

**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. The line item is funded through fees paid by individuals for notary public licenses. Notary Commission Fund (Fund 4120) receipts for FY 2015 totaled \$478,000.

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

These line items are within the Holding Account 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 2016 and FY 2017.

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# FY 2016 - FY 2017 Final Appropriation Amounts

# All Fund Groups

## Line Item Detail by Agency

			FY 2014	FY 2015	Appropriation FY 2016	FY 2015 to FY 2016 % Change	Appropriation FY 2017	FY 2016 to FY 2017 % Change
<b>Report For Main Operating Appropriations Bill</b>			<b>Version: As Enacted</b>					
<b>SOS Secretary of State</b>								
GRF	050321	Operating Expenses	\$ 2,141,406	\$ 2,136,987	\$ 2,144,030	0.33%	\$ 2,144,030	0.00%
GRF	050407	Poll Workers Training	\$ 0	\$ 468,392	\$ 234,196	-50.00%	\$ 234,196	0.00%
<b>General Revenue Fund Total</b>			<b>\$ 2,141,406</b>	<b>\$ 2,605,379</b>	<b>\$ 2,378,226</b>	<b>-8.72%</b>	<b>\$ 2,378,226</b>	<b>0.00%</b>
4120	050609	Notary Commission	\$ 451,329	\$ 426,250	\$ 475,000	11.44%	\$ 475,000	0.00%
4130	050601	Information Systems	\$ 53,049	\$ 36	\$ 0	-100.00%	\$ 0	N/A
5990	050603	Business Services Operating Expenses	\$ 12,643,825	\$ 11,927,718	\$ 14,385,400	20.60%	\$ 14,385,400	0.00%
5QE0	050625	Litigation Related Expenses	\$ 0	\$ 461,078	\$ 0	-100.00%	\$ 0	N/A
<b>Dedicated Purpose Fund Group Total</b>			<b>\$ 13,148,202</b>	<b>\$ 12,815,081</b>	<b>\$ 14,860,400</b>	<b>15.96%</b>	<b>\$ 14,860,400</b>	<b>0.00%</b>
4S80	050610	Board of Voting Machine Examiners	\$ 6,612	\$ 21,670	\$ 7,200	-66.78%	\$ 7,200	0.00%
5FG0	050620	BOE Reimbursement and Education	\$ 69,247	\$ 41,364	\$ 80,000	93.41%	\$ 80,000	0.00%
5FH0	050621	Statewide Ballot Advertising	\$ 447,473	\$ 0	\$ 0	N/A	\$ 0	N/A
<b>Internal Service Activity Fund Group Total</b>			<b>\$ 523,332</b>	<b>\$ 63,034</b>	<b>\$ 87,200</b>	<b>38.34%</b>	<b>\$ 87,200</b>	<b>0.00%</b>
R001	050605	Uniform Commercial Code Refunds	\$ 17,620	\$ 8,597	\$ 30,000	248.96%	\$ 30,000	0.00%
R002	050606	Corporate/Business Filing Refunds	\$ 80,156	\$ 70,724	\$ 85,000	20.19%	\$ 85,000	0.00%
<b>Holding Account Fund Group Total</b>			<b>\$ 97,776</b>	<b>\$ 79,321</b>	<b>\$ 115,000</b>	<b>44.98%</b>	<b>\$ 115,000</b>	<b>0.00%</b>
3AH0	050614	Election Reform/Health and Human Services	\$ 333,385	\$ 216,986	\$ 0	-100.00%	\$ 0	N/A
3AS0	050616	Help America Vote Act (HAVA)	\$ 783,373	\$ 2,182,184	\$ 502,000	-77.00%	\$ 0	-100.00%
3FM0	050624	Miscellaneous Federal Grants	\$ 8,571	\$ 0	\$ 0	N/A	\$ 0	N/A
<b>Federal Fund Group Total</b>			<b>\$ 1,125,329</b>	<b>\$ 2,399,169</b>	<b>\$ 502,000</b>	<b>-79.08%</b>	<b>\$ 0</b>	<b>-100.00%</b>
<b>Secretary of State Total</b>			<b>\$ 17,036,045</b>	<b>\$ 17,961,985</b>	<b>\$ 17,942,826</b>	<b>-0.11%</b>	<b>\$ 17,440,826</b>	<b>-2.80%</b>