

Greenbook
LSC Analysis of Enacted Budget

Ohio Secretary of State

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ATTACHMENT:

Budget Spreadsheet By Line Item

Secretary of State

- Total recommended funding of \$36.5 million for the biennium
- No GRF appropriations for the biennium
- All payroll expenses will be paid through business filing fee revenue

OVERVIEW

Responsibilities

The Secretary of State (SOS) 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 Secretary of State also oversees business licensing, a function 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 123 people according to June 2017 payroll records maintained by the Department of Administrative Services.

Appropriations

Fund Group	FY 2017*	FY 2018	% change, FY 2017-FY 2018	FY 2019	% change, FY 2018-FY 2019
General Revenue	\$2,610,890	\$0	-100.0%	\$0	0.0%
Dedicated Purpose	\$18,751,746	\$18,125,826	-3.3%	\$18,125,826	0.0%
Federal	\$175,843	\$24,600	-86.0%	\$4,400	-82.1%
Holding Account	\$139,275	\$115,000	-17.4%	\$115,000	0.0%
TOTAL	\$21,677,754	\$18,265,426	-15.7%	\$18,245,226	-0.1%

* FY 2017 amounts are actual expenditures.

As Table 1 shows, the total appropriation for the Secretary of State under H.B. 49 is nearly \$18.3 million in both FY 2018 and FY 2019. This compares to FY 2017 spending of just under \$21.7 million. Of the funding under H.B. 49, about \$18.1 million in each fiscal year is derived from various filing fees accounted for under the Dedicated Purpose Fund Group. The major change in funding for the upcoming biennium is the

elimination of GRF funding for elections. Replacing this foregone GRF funding are two newly created Dedicated Purpose Fund appropriation items, 050630, Elections Support Supplement, and 050631, Precinct Election Officials Training. Both new line items are supported by business filing revenues deposited into the Business Services Fund (Fund 5990). Total receipts deposited into Fund 5990 were \$16.5 million in FY 2017. The current cash balance in Fund 5990 is slightly more than \$21.5 million.

Overall, there is a decrease in funding of approximately \$3.4 million in FY 2018 appropriations when compared to FY 2017 spending. Most of this is explained by decreases in funding in the elections area. Among the most significant costs incurred in the prior biennium was the mailing of absent voters' ballots statewide for the November 2016 Presidential Election. The mailings cost \$1.2 million. An additional \$880,000 was spent on reimbursements to county boards of elections for their costs in holding special elections and recounts during FY 2016 to seat a replacement for the 8th Congressional District. Additionally, \$400,000 was spent from the Citizen Education Fund (Fund 4140), money that came from a Pew grant received by the Secretary of State's Office for its participation in a research project conducted by the Election Registration Information Center (ERIC) related to maintaining voter registration databases. In addition to these decreases, the remaining portion of the difference between FY 2017 spending and FY 2018 appropriations is attributable to elections litigation costs that the Secretary of State was required to pay in FY 2017. The cases were brought forth by the Northeast Ohio Coalition for the Homeless and Service Employees International Union.

Provisions Affecting the Secretary of State Under H.B. 49

Address Confidentiality Program

The budget bill contains provisions that refine requirements for participation under the Address Confidentiality Program operated by the Secretary of State. To be eligible for the program, H.B. 49 requires enrollees to reside, work, or attend a school or an institution of higher education in Ohio. The bill also requires the Secretary of State to issue each program participant a program authorization card as proof of status. Finally, the bill narrows the type of mail that the Secretary of State must forward to a program participant. Overall, these provisions would appear to reduce the operating costs of the program with respect to limiting the type of mail forwarded, but also increase costs with respect to issuing authorization cards.

Electronic notaries

The budget bill makes some changes to the notary registration process which is overseen by the SOS. First, the bill allows for the electronic signature and acknowledgement of notary services to be done through approved electronic devices. The bill also allows a commissioned notary public to become, at the discretion of the SOS, an electronic notary by submitting a registration form. The bill allows the SOS to

charge a fee of up to \$5 for these registrations. It is unclear as to how many notaries would elect to register as an electronic notary. Notary fees are deposited into the Notary Commission Fund (Fund 4120).

Absent Voter's Ballot mailings

The bill requires, rather than allows, the Controlling Board to approve cash transfers for absent voter ballot mailings, and specifies that any such transfers are to be used to cover such costs for the November 2018 general election. This provision would therefore not permit the Controlling Board to refuse any transfers should the Secretary of State make such a request. The Secretary of State spent approximately \$1.2 million on these mailings for the November 2016 general election.

Vetoed Item – Voting Machine Reimbursement

The bill included a provision amending S.B. 310 of the 131st General Assembly, the capital budget for the FY 2017-FY 2018 capital biennium, which created the Administrative Building Fund (Fund 7026) capital appropriation item C10037, Voting Machine Reimbursement, with funding of \$1.0 million. This amount was to be used by DAS, in consultation with the Secretary of State, to provide reimbursements to counties that had entered into agreements for new voting machines and associated services and equipment on or after January 1, 2014. Eligible counties could receive reimbursements of up to 50% of the cost of the new machines up to a maximum of \$250,000. This provision of H.B. 49, however, was vetoed by the Governor.

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 96.5% of the proposed funding for these activities is supported by the Business Services Fund (Fund 5990) in FY 2018. A small portion of FY 2018 funding (3.5%) comes from other Dedicated Purpose Fund sources related to voting machine certification and reimbursing counties for certain special elections and election recounts, as well as a small amount of federal funding.

Appropriations for the Elections Division				
Fund	ALI and Name		FY 2018	FY 2019
Dedicated Purpose Fund Group				
5990	050629	Statewide Voter Registration Database	\$700,000	\$700,000
5990	050630	Elections Support Supplement	\$2,144,030	\$2,144,030
5990	050631	Precinct Election Officials Training	\$234,196	\$234,196
4S80	050610	Board of Voting Machine Examiners	\$7,200	\$7,200
5FG0	050620	BOE Reimbursement and Education	\$80,000	\$80,000
Dedicated Purpose Fund Group Subtotal			\$3,165,426	\$3,165,426
Federal Fund Group				
3FM0	050624	Miscellaneous Federal Grants	\$8,600	\$4,400
3AS0	050616	Help America Vote Act (HAVA)	\$16,000	\$0
Internal Service Activity Fund Group Subtotal			\$24,600	\$4,400
Total Funding: Elections Division			\$3,190,026	\$3,169,826

Elections Support Supplement (050630)

This new 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 2018 and FY 2019. Specifically, the funding will be used to pay for the salaries of Elections Division employees. In previous fiscal years, payroll funding was supplied by appropriations from the GRF. The source of operating revenue is various corporate and business filing fees that are deposited into 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. Approximately 24 employees are funded through this appropriation.

Statewide Voter Registration Database (050629)

This line item is used to support the numerous functions related to the Statewide Voter Registration Database (SWVRD), such as maintaining the communication lines between the SWVRD and 88 county boards of elections as well as IT hardware and software maintenance support for the system. Previously, any such maintenance and system upgrades or improvements were paid for from Help America Vote Act (HAVA) funding, particularly HAVA Fund (Fund 3AS0), appropriation item 050616, Help America Vote Act. The Secretary of State requested that the Controlling Board establish this appropriation item in November 2016. It is funded through the Business Services Fund (Fund 5990). The FY 2017 spending from this newly established line item was \$558,235. The budget appropriates \$700,000 in each fiscal year to cover expenses related to the SWVRD for the FY 2018-FY 2019 biennium.

Precinct Election Officials Training (050631)

The budget for this line item is \$234,196 in both FY 2018 and FY 2019, a 50% decrease when compared to GRF expenditures of \$468,392 in FY 2017. 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. This line item is used to reimburse 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 newly created line item will be used to pay for those reimbursements. In the previous biennium, funding for these functions came through GRF appropriations.

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. The BOE Reimbursement and Education Fund (Fund 5FG0) receives transfers from the GRF upon application to and approval of the amounts by the Controlling Board. The budget for this line item is \$80,000 in each fiscal year; a sizeable decrease from FY 2017 spending of \$959,166. FY 2017 spending, however, was primarily driven by reimbursements to county boards of elections for the costs that they incurred for holding special elections during FY 2016 in the 8th Congressional District. Because the circumstances surrounding special elections can vary from year to year, funding can be increased by the Controlling Board as necessary.

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.

The budget for this line item is \$7,200 in both FY 2018 and FY 2019. Given the \$2,400 vendor certification fee, this level of funding assumes three items of voting equipment will be brought before the Board for certification annually. Due to the 2016 Presidential Election, nine such items were brought before the board.

Miscellaneous Federal Grants (050624)

This line item is used to pay for election related services stemming from federal grants for which a specific purpose is not stated. Most recently, this line item was used to help pay for voting assistance for military members and families that are overseas. The budget appropriates \$8,600 in FY 2018 and \$4,400 in FY 2019. Currently, there is slightly more than \$12,400 in the Miscellaneous Grants Fund (Fund 3FM0). No expenditures have been made from this line item since FY 2014.

Help America Vote Act (HAVA) (050616)

This line item is used to administer the Help America Vote Act (HAVA) by providing funding for voter registration system upgrades, voter education, and any other services necessary to administer the federal program. Grant funding to this line item has been discontinued. As of this writing, the HAVA Fund (Fund 3AS0) has a cash balance of just over \$14,000. The budget appropriates \$16,000 in FY 2018 from this line item.

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 (95.4%) of the funding for the Business Services Division. The remainder is budgeted for filing refunds, Notary Commission services, and management of the Address Confidentiality Program.

Appropriations for the Business Services Division				
Fund	ALI and Name		FY 2018	FY 2019
Dedicated Purpose Fund Group				
4120	050609	Notary Commission	\$475,000	\$475,000
5990	050603	Business Services Operating Expense	\$14,385,400	\$14,385,400
5SN0	050626	Address Confidentiality	\$100,000	\$100,000
Dedicated Purpose Fund Group Subtotal			\$14,960,400	\$14,960,400
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			\$15,075,400	\$15,075,400

Business Services Operating Expense (050603)

The appropriation for this line item is \$14.4 million in both FY 2018 and FY 2019, an increase of nearly 5.0% from FY 2017 spending of \$13.7 million in this area. 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, the proceeds of which are deposited into the Business Services Fund (Fund 5990). There are approximately 140 different UCC and business filing fees for the state. Fund 5990 collected approximately \$16.5 million from these various fees in FY 2017.

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, a slight increase over FY 2017 spending of just over \$460,000 for notary operations.

The line item is funded through fees paid by individuals for notary public licenses. The Notary Commission Fund (Fund 4120) receipts for FY 2017 were just over \$483,000.

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. H.B. 49 appropriates a total of \$115,000 in each year under these two line items to cover these refunds.

Address Confidentiality (050626)

This line item is used to fund the Address Confidentiality Program created in H.B. 359 of the 131st General Assembly, which created an address confidentiality program for victims of domestic violence and certain others. This line item is funded through additional fines that courts may impose when sentencing certain offenders for various offenses that are deposited into the Address Confidentiality Fund (Fund 5SN0). No expenditures have yet been made from this fund. H.B. 49 appropriates \$100,000 in each fiscal year for the Secretary of State to administer the program, which includes ensuring that a program participant's address be kept confidential, and that the Secretary of State receives mail on the participant's behalf, forwarding it to the confidential mailing address.

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FY 2018 - FY 2019 Final Appropriation Amounts

All Fund Groups

Line Item Detail by Agency

			FY 2016	FY 2017	Appropriation FY 2018	FY 2017 to FY 2018 % Change	Appropriation FY 2019	FY 2018 to FY 2019 % Change
Report For Main Operating Appropriations Bill			Version: As Enacted					
SOS Secretary of State								
GRF	050321	Operating Expenses	\$ 2,139,715	\$ 2,142,498	\$ 0	-100.00%	\$ 0	N/A
GRF	050407	Poll Workers Training	\$0	\$ 468,392	\$ 0	-100.00%	\$ 0	N/A
General Revenue Fund Total			\$ 2,139,715	\$ 2,610,890	\$ 0	-100.00%	\$ 0	N/A
4120	050609	Notary Commission	\$ 455,856	\$ 462,244	\$ 475,000	2.76%	\$ 475,000	0.00%
4130	050601	Information Systems	\$ 48,964	\$0	\$ 0	N/A	\$ 0	N/A
4140	050602	Citizens Education Fund	\$0	\$ 400,001	\$ 0	-100.00%	\$ 0	N/A
4S80	050610	Board of Voting Machine Examiners	\$ 12,000	\$ 19,200	\$ 7,200	-62.50%	\$ 7,200	0.00%
5990	050603	Business Services Operating Expenses	\$ 14,081,511	\$ 13,706,721	\$ 14,385,400	4.95%	\$ 14,385,400	0.00%
5990	050628	Litigation Related Expenses Operating and Judging	\$0	\$ 1,402,862	\$ 0	-100.00%	\$ 0	N/A
5990	050629	Statewide Voter Registration Database	\$0	\$ 558,235	\$ 700,000	25.40%	\$ 700,000	0.00%
5990	050630	Elections Support Supplement	\$0	\$0	\$ 2,144,030	N/A	\$ 2,144,030	0.00%
5990	050631	Precinct Election Officials Training	\$0	\$0	\$ 234,196	N/A	\$ 234,196	0.00%
5FG0	050620	BOE Reimbursement and Education	\$ 45,351	\$ 959,166	\$ 80,000	-91.66%	\$ 80,000	0.00%
5RG0	050627	Absentee Voter Ballot Application Mailing	\$0	\$ 1,243,317	\$ 0	-100.00%	\$ 0	N/A
5SN0	050626	Address Confidentiality	\$0	\$0	\$ 100,000	N/A	\$ 100,000	0.00%
Dedicated Purpose Fund Group Total			\$ 14,643,682	\$ 18,751,746	\$ 18,125,826	-3.34%	\$ 18,125,826	0.00%
5FH0	050621	Statewide Ballot Advertising	\$ 560,082	\$0	\$ 0	N/A	\$ 0	N/A
Internal Service Activity Fund Group Total			\$ 560,082	\$0	\$ 0	N/A	\$ 0	N/A
R001	050605	Uniform Commercial Code Refunds	\$ 15,001	\$ 7,606	\$ 30,000	294.42%	\$ 30,000	0.00%
R002	050606	Corporate/Business Filing Refunds	\$ 137,178	\$ 131,669	\$ 85,000	-35.44%	\$ 85,000	0.00%
Holding Account Fund Group Total			\$ 152,179	\$ 139,275	\$ 115,000	-17.43%	\$ 115,000	0.00%
3AH0	050614	Election Reform/Health and Human Services	\$ 0	\$0	\$ 0	N/A	\$ 0	N/A
3AS0	050616	Help America Vote Act (HAVA)	\$ 815,017	\$ 175,843	\$ 16,000	-90.90%	\$ 0	-100.00%

FY 2018 - FY 2019 Final Appropriation Amounts

All Fund Groups

Line Item Detail by Agency

			Appropriation	FY 2017 to FY 2018	Appropriation	FY 2018 to FY 2019		
			FY 2016	FY 2017	FY 2018	% Change	FY 2019	% Change
SOS Secretary of State								
3FM0	050624	Miscellaneous Federal Grants	\$0	\$0	\$ 8,600	N/A	\$ 4,400	-48.84%
Federal Fund Group Total			\$ 815,017	\$ 175,843	\$ 24,600	-86.01%	\$ 4,400	-82.11%
Secretary of State Total			\$ 18,310,675	\$ 21,677,754	\$ 18,265,426	-15.74%	\$ 18,245,226	-0.11%