

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 \$44.7 million for the biennium
- Creates a new revolving loan fund for counties to purchase voting machines

OVERVIEW

Agency Overview

The Office of the Secretary of State (SOS) consists of two primary divisions: Elections and Business Services. The Elections Division oversees Ohio elections and supervises the 88 county boards of elections in their duties related to conducting elections. The Division also compiles and maintains election statistics, political party records, and other election-related records including campaign finance reports filed by candidates running for statewide office, the General Assembly, and political actions committees. The Division also houses 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.

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. In addition, the Division handles a variety of Uniform Commercial Code filings. 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.

Appropriation Overview

Appropriations by Fund Group, FY 2010-FY 2011					
Fund Group	FY 2009	FY 2010	% change, FY 2009-FY 2010	FY 2011	% change, FY 2010-FY 2011
General Revenue	\$5,082,892	\$2,540,705	(50.0%)	\$2,540,705	0%
General Services	\$3,356,207	\$1,537,912	(54.2%)	\$1,512,912	(1.6%)
State Special Revenue	\$15,439,435	\$14,266,100	(7.6%)	\$14,425,400	1.1%
Federal Special Revenue	\$5,172,991	\$3,800,000	(26.5%)	\$3,800,000	0%
Holding Account Redistribution	\$48,317	\$115,000	138.0%	\$115,000	0%
Total	\$29,099,842	\$22,259,717	(23.5%)	\$22,394,017	0.6%

*FY 2009 figures represent actual expenditures.

As the table above shows, appropriations for FY 2010 are \$22.2 million, 23.5% lower than FY 2009 spending of \$29.1 million. Of this \$6.9 million difference, the majority is explained by decreases in federal funding (\$1.4 million), reduced general

services funding (\$2.7 million), and reduced GRF funding (\$2.6 million). Regarding the federal funding, SOS received a one-time \$2.0 million grant in FY 2009, of which the \$1.4 million noted above was expended to develop and document procedural best practices in election data collection at the precinct level. The decrease in general services funding is explained mostly by a \$2.1 million charge incurred in FY 2009 to reimburse county boards of elections for the costs of special elections. The decrease in GRF between FY 2009 and FY 2010 is entirely accounted for by a one-time expenditure as a result of a provision in H.B. 562, the FY 2010-FY 2011 capital bill, requiring the state to reimburse counties for the cost of reminder mailings that boards of elections sent to voters leading up to the 2008 general election. These reimbursements cost \$2.6 million.

Voting Machine Revolving Lease/Loan Fund

A provision in the act establishes the Voting Machine Revolving Lease/Loan Fund (Fund 5FJ0), a new bond-funded revolving loan program to help counties acquire, upgrade, and maintain specified voting equipment. Counties are not permitted to borrow more than 50% of the total cost of the equipment. This program will be used to offer counties an additional mechanism to acquire the equipment in conjunction with any federal funding available through the Help America Vote Act (HAVA). The fund will initially be capitalized by a \$500,000 transfer in each fiscal year from the Business Services Fund (Fund 5990), and by bond proceeds and lease payments thereafter.

ANALYSIS OF ENACTED BUDGET

Introduction

This section provides an analysis of each appropriation item in SOS's budget. The line items are grouped into two categories corresponding to the two operating divisions: (1) Elections and (2) Business Services. For each category, a table is provided listing the appropriation in each fiscal year of the biennium. Following the table, a narrative describes how the appropriation is used and any changes affecting the appropriation.

To aid the reader in finding each item in the analysis, the table below shows the category in which each appropriation has been placed, listing the line items in order within their respective fund groups and funds. This is the same order the line items appear in the budget act.

Categorization of SOS's Appropriation Line Items		
Fund	ALI and Name	Category
General Revenue Fund Group		
GRF 050321	Operating Expenses	1: Elections
GRF 050407	Poll Workers Training	1: Elections
General Services Fund Group		
4120 050609	Notary Commission	2: Business Services
4130 050601	Information Systems	2: Business Services
4140 050602	Citizen Education	1: Elections
4S80 050610	Board of Voting Machine Examiners	1: Elections
5FG0 050620	Reimbursement and Education	1: Elections
5FH0 050621	Statewide Ballot Advertising	1: Elections
5FJ0 050622	County Voting Machine Lease/Revolving Loan Fund	1: Elections
Federal Special Revenue Fund Group		
3AH0 050614	Election Reform/Health and Human Services	1: Elections
3AS0 050616	2005 HAVA Voting Machines	1: Elections
State Special Revenue Fund Group		
5990 050603	Business Services Operating Expenses	2: Business Services
59N0 050607	Technology Improvements	2: Business Services
Holding Account Redistribution Fund Group		
R001 050605	Uniform Commercial Code Refunds	2: Business Services
R002 050607	Corporate/Business Filing Refunds	2: Business Services

Category 1: Elections

This category of appropriations funds SOS's Elections Division, which is responsible for the administration and oversight of all elections in the state, as well as poll worker training.

Appropriation Amounts for Elections Division				
Fund	ALI and Name		FY 2010	FY 2011
General Revenue Fund				
GRF	050321	Operating Expenses	\$2,290,508	\$2,290,508
GRF	050407	Poll Workers Training	\$250,197	\$250,197
General Revenue Fund Subtotal			\$2,540,705	\$2,540,705
General Services Fund Group				
4140	050602	Citizen Education	\$55,712	\$55,712
4S80	050610	Board of Voting Machine Examiners	\$7,200	\$7,200
5FG0	050620	BOE Reimbursement and Education	\$100,000	\$100,000
5FH0	050621	Statewide Ballot Advertising	\$300,000	\$300,000
5FJ0	050622	County Voting Machine Lease/Revolving Loan Fund	\$500,000	\$500,000
General Services Fund Group Subtotal			\$962,912	\$962,912
Federal Special Revenue Fund Group				
3AH0	050614	Election Reform/Health and Human Services	\$800,000	\$800,000
3AS0	050616	2005 HAVA Voting Machines	\$3,000,000	\$3,000,000
Federal Special Revenue Fund Group Subtotal			\$3,800,000	\$3,800,000
Total Funding: Elections Division			\$7,303,617	\$7,303,617

Operating Expenses (050321)

This line item is used to pay the various operating expenses associated with election administration. The appropriation for this line item is \$2.3 million in both FY 2010 and FY 2011, an increase of 7.4% over FY 2009 spending of \$2.1 million. In addition to this GRF support, the SOS partially funds some Elections' Division staff through the Uniform Commercial Code Filing Fund (Fund 5990). The GRF appropriation increase for FY 2010 will help to offset the amount of supplemental staff funding which comes from Fund 5990.

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. SOS annually reimburses counties for those expenses once a statement of expenses has been received. This line item pays those

reimbursements. The appropriation for this line item is \$250,197 in both FY 2010 and FY 2011, a decrease of 4.5% from FY 2009 spending of \$262,012. This reduced appropriation is attributable to having fewer primary and general elections in the FY 2010-FY 2011 biennium.

Citizen Education (050602)

SOS receives private donations from groups that agree to pay part or all of the costs associated with printing and distributing voter registration and education materials and for conducting workshops and conferences. Any such donations are collected in the Citizen Education Fund and paid from this line item. In FY 2009, a Pew Charitable Trusts Grant provides funding to include voter registration forms in change of address forms. The appropriation for this line item is \$55,712 in both FY 2010 and FY 2011, a decrease of 67.9% from FY 2009 spending of \$174,064.

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 or for other expenses to examine, test, report, or certify voting machine devices. The appropriation is funded through fees charged to vendors of voting machines for the certification of those machines. The appropriation for this line item is \$7,200 in both FY 2010 and FY 2011, a decrease of 10.8% from FY 2009 spending of \$8,068 for this activity.

BOE Reimbursement and Education (050620)

This line item is used to reimburse boards of elections for various purposes, including the costs of certain special elections and recounts. This line item is funded through the BOE Reimbursement and Education Fund, which receives transfers from the state upon application to and approval of the amounts by the Controlling Board. The appropriation for this line item is \$100,000 in each fiscal year of the FY 2010-FY 2011 biennium, although amount reimbursed from this line will vary from year-to-year based upon any special elections or recounts, the cost of which cannot be anticipated.

SOS reimbursed Cuyahoga County approximately \$1.2 million in FY 2009 for the special election primary in the 11th Congressional District held on October 14, 2008, and an additional \$997,000 for the general special election held on November 18, 2008.

Statewide Ballot Advertising (050621)

This is a newly created line item to reflect a new process by which the SOS pays for mandated state ballot advertising costs. Previously, each county would advertise ballot issues and submit a claim for reimbursement. Under the new funding arrangement, SOS now directly contracts with the appropriate media source for advertisement and pays the cost directly. This line item is used to pay those expenses. The appropriation for this line item is \$300,000 in both FY 2010 and FY 2011. SOS

previously paid \$631,629 in ballot advertising costs for state issues one, two, three, five, and six during the 2008 general election. Because these issues were quite lengthy, these costs were comparatively high. Any such costs for the FY 2010-FY 2011 are expected to be lower.

County Voting Machine Lease/ Revolving Loan Fund (050622)

Also new is this line item, which will be used to offer loans to counties to acquire voting equipment (specifically marking devices and automatic tabulating equipment) on a lease/purchase basis under the Voting Machine Revolving Lease/Loan bond program created in the bill. Under the act, the amount of the lease or loan will be limited to \$5 million, and counties will not be permitted to borrow more than 50% of the total cost of the desired acquisition. The revenue stream for this program will be bond proceeds and lease rental payments paid to the state by the counties leasing the equipment. However, in the immediate term, the act would capitalize the fund with a transfer of \$500,000 in each fiscal year from the Business Services Fund (Fund 5990). The appropriation for this line item corresponds to this transfer amount: \$500,000 in both FY 2010 and FY 2011.

Election Reform/Health and Human Services (050614)

This line item is used to meet the requirements of the Americans with Disabilities Act (ADA), in accordance with state and federal law, including, but not limited to, facility accessibility and voter education. These funds are typically used to make construction improvements to voting facilities to allow for greater handicapped access, or to acquire certain voting machines for handicapped individuals. The appropriation for this line item is \$800,000 in both FY 2010 and FY 2011. This is an increase of 13.8% from FY 2009 spending of \$702,766 for this purpose.

2005 HAVA Voting Machines (050616)

This line item, funded by federal moneys, is used to purchase new Direct Recording Electronic (DRE) or optical scan machines in compliance with the Help America Vote Act of 2002, voter registration upgrades, voter education, and administration of the federal grant program. Over the FY 2008-FY 2009 biennium, SOS used this line item to continue maintenance on its on-line poll worker training program, and also spent nearly \$6.5 million for county voting machine acquisitions, upgrades, and maintenance. Because future federal funding may not be sufficient, H.B. 1 creates a voting equipment lease/loan program which counties could use to buy voting machines. (This program is more completely described under County Voting Machine Relief (050622) above.) The appropriation for line item 050616, 2005 HAVA Voting Machines, is \$3,000,000 in both FY 2010 and FY 2011, a decrease of 0.9% from FY 2009 spending.

Category 2: Business Services

The line items in this category are used to fund the Business Services Division which receives and approves articles of incorporation for Ohio corporations and grants licenses to out-of-state corporations seeking to do business in Ohio. The Division also processes a number of filings under the Uniform Commercial Code (UCC).

Appropriation Amounts for Business Services Division				
Fund	ALI and Name		FY 2010	FY 2011
General Services Fund Group				
4120	050609	Notary Commission	\$500,000	\$500,000
4130	050601	Information Systems	\$75,000	\$50,000
General Services Fund Group Subtotal			\$575,000	\$550,000
State Special Revenue Fund Group				
5990	050603	Business Services Operating Expenses	\$14,086,100	\$14,245,400
5N90	050607	Technology Improvements	\$180,000	\$180,000
State Special Revenue Fund Group Subtotal			\$14,266,100	\$14,425,400
Holding Account Redistribution Fund Group				
R001	050605	Uniform Commercial Code Refunds	\$30,000	\$30,000
R002	050606	Corporate/Business Filing Refunds	\$85,000	\$85,000
Holding Account Redistribution Fund Group Subtotal			\$115,000	\$115,000
Total Funding: Business Services Division			\$14,956,100	\$15,090,400

Business Services Operating Expense (050603)

The appropriation for this line item is \$14.1 million in FY 2010, a decrease of 8.0% from FY 2009 spending of \$15.3 million, and \$14.2 million in FY 2011, a 1.1% increase from FY 2010 appropriations. 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 the costs for some Elections Division employees. The number of employees in Business Services grew in the FY 2008-FY 2009 biennium because of SOS's decision to bring back in-house customer service and filing functions that had been outsourced to call centers. As a result, for FY 2010-FY 2011, this line item will fund additional employees in the Business Services Division.

The revenue that supports the appropriation comes from fees charged for corporate and UCC filings. There are approximately 140 different state UCC and business filings fees. The Uniform Commercial Code Filing Fund (Fund 5990), into which receipts are deposited, collected just over \$15.0 million in fee revenue in FY 2008 and \$14.8 million in FY 2009.

Transfer to County Voting Machine Revolving Lease/Loan Fund

Under the act, \$500,000 in each fiscal year is to be transferred from the Business Services Fund (Fund 5990) to the County Voting Machine Revolving Lease/Loan Fund (Fund 5FJ0) described previously. The purpose of the program is to assist counties in acquiring optical scan voting equipment. These transfers will capitalize the lease-loan program until it receives bond proceeds and collects loan payments that enable the program to be self-sufficient.

Cash Transfer to the Corporate and Uniform Commercial Code Filing Fund

An uncodified provision in H.B. 1 requires the Director of Budget and Management to transfer \$53,915.40 in cash from the Public Utility Territorial Administration Fund (Fund 5590) to the Business Services Fund (Fund 5990).

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 \$500,000 in each fiscal year, a 47.4% decrease from FY 2009 spending of \$950,567. During FY 2008, the SOS created a Client Service Center which consolidated Notary Commission services with other various filings, licensing, and certificates. This was paid from the Notary Commission line item in FY 2009. The line item is funded through fees paid by individuals for notary public licenses. However, due to decreasing revenue projections for the Notary Commission Fund, future appropriations from this line item have been reduced. As was the case prior to FY 2009, any non-Notary Commission related filings will be paid for from the Business Services Fund (Fund 5990). The Notary Commission Fund collected just over \$520,000 in revenues in FY 2008 and just under \$500,000 in FY 2009.

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 \$75,000 in FY 2010, a decrease of 23.2% from the \$97,695 expended in FY 2009 and declines further to \$50,000 in FY 2011.

Technology Improvements (050607)

This line item is used to pay for equipment upkeep, improvement, or replacement, and for training employees in the use of equipment purchased to conduct business services. This line item is funded through a transfer of 1.0% of all receipts collected by the Business Services Fund (Fund 5990). The appropriation for this line item is \$180,000 in both FY 2010 and FY 2011, a 42.9% increase over FY 2009 spending of \$125,937 for these purposes.

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

These two line items consist of 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 appropriations for these line items collectively are \$115,000 in both FY 2010 and FY 2011.

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FY 2010 - 2011 Final Appropriation Amounts

All Fund Groups

Line Item Detail by Agency			FY 2008	FY 2009	FY 2010 Appropriations	% Change FY09 - FY10	FY 2011 Appropriations	% Change FY10 - FY11
Report For: Main Operating Appropriations Bill			Version: Enacted					
SOS Secretary of State								
GRF	050321	Operating Expenses	\$ 3,060,159	\$ 2,132,223	\$ 2,290,508	7.42%	\$ 2,290,508	0.00%
GRF	050403	Election Statistics	\$ 70,201	\$ 61,006	\$ 0	-100.00%	\$ 0	N/A
GRF	050407	Poll Workers Training	\$ 277,997	\$ 262,012	\$ 250,197	-4.51%	\$ 250,197	0.00%
GRF	050409	Litigation Expenditures	\$ 2,073	\$ 1,974	\$ 0	-100.00%	\$ 0	N/A
GRF	050505	County Postage Reimbursement	\$ 0	\$ 2,625,677	\$ 0	-100.00%	\$ 0	N/A
General Revenue Fund Total			\$ 3,410,430	\$ 5,082,892	\$ 2,540,705	-50.01%	\$ 2,540,705	0.00%
4120	050609	Notary Commission	\$ 359,981	\$ 950,567	\$ 500,000	-47.40%	\$ 500,000	0.00%
4130	050601	Information Systems	\$ 99,413	\$ 97,695	\$ 75,000	-23.23%	\$ 50,000	-33.33%
4140	050602	Citizen Education Fund	\$ 52,021	\$ 174,064	\$ 55,712	-67.99%	\$ 55,712	0.00%
4S80	050610	Board of Voting Machine Examiners	\$ 1,800	\$ 8,068	\$ 7,200	-10.75%	\$ 7,200	0.00%
5FG0	050620	BOE Reimbursement and Education	\$ 0	\$ 2,125,814	\$ 100,000	-95.30%	\$ 100,000	0.00%
5FH0	050621	Statewide Ballot Advertising	\$ 0	\$ 0	\$ 300,000	N/A	\$ 300,000	0.00%
5FJ0	050622	County Voting Machine Revolving Lease/Loan Fund	\$ 0	\$ 0	\$ 500,000	N/A	\$ 500,000	0.00%
General Services Fund Group Total			\$ 513,216	\$ 3,356,207	\$ 1,537,912	-54.18%	\$ 1,512,912	-1.63%
3AC0	050619	Election Data Collection Grant	\$ 0	\$ 1,444,099	\$ 0	-100.00%	\$ 0	N/A
3AH0	050614	Election Reform/Health and Human Services	\$ 58,187	\$ 702,766	\$ 800,000	13.84%	\$ 800,000	0.00%
3AS0	050616	2005 HAVA Voting Machines	\$ 4,027,629	\$ 3,026,125	\$ 3,000,000	-0.86%	\$ 3,000,000	0.00%
Federal Special Revenue Fund Group Total			\$ 4,085,817	\$ 5,172,991	\$ 3,800,000	-26.54%	\$ 3,800,000	0.00%
5990	050603	Business Services Operating Expenses	\$ 13,724,865	\$ 15,313,499	\$ 14,086,100	-8.02%	\$ 14,245,400	1.13%
5N90	050607	Technology Improvements	\$ 124,232	\$ 125,937	\$ 180,000	42.93%	\$ 180,000	0.00%
State Special Revenue Fund Group Total			\$ 13,849,097	\$ 15,439,435	\$ 14,266,100	-7.60%	\$ 14,425,400	1.12%
R001	050605	Uniform Commercial Code Refunds	\$ 127,886	\$ 7,395	\$ 30,000	305.68%	\$ 30,000	0.00%
R002	050606	Corporate/Business Filing Refunds	\$ 59,674	\$ 40,922	\$ 85,000	107.71%	\$ 85,000	0.00%
Holding Account Redistribution Fund Group Total			\$ 187,559	\$ 48,317	\$ 115,000	138.01%	\$ 115,000	0.00%
Secretary of State Total			\$ 22,046,119	\$ 29,099,842	\$ 22,259,717	-23.51%	\$ 22,394,017	0.60%