

# Redbook

## LBO Analysis of Executive Budget Proposal

### Ohio Secretary of State

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# LBO Redbook

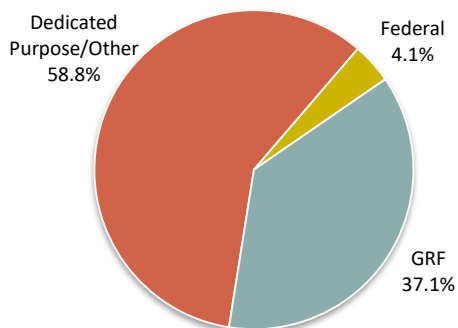
## Ohio Secretary of State

### Quick look...

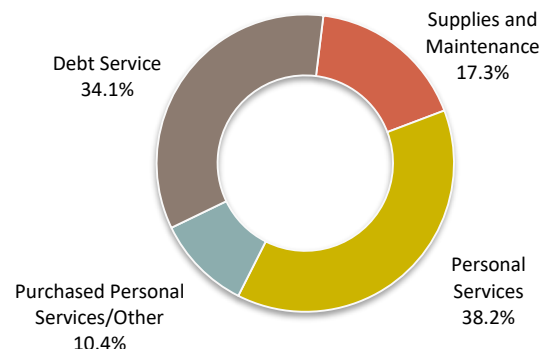
- The Secretary of State oversees elections and business licensing in Ohio, as well as notary services and the Safe at Home address confidentiality program, among other responsibilities. The Office employs a staff of approximately 125 as of February 2021.
- The large increase in estimated FY 2021 spending is due to federal Election Assistance Commission grants received through the CARES Act and distributed to counties.
- The budget totals about \$73.3 million for the FY 2022-FY 2023 biennium. Approximately \$42.9 million (58.8%) of this biennial funding comes from business filing fees.
- GRF funding makes up approximately \$27.2 million (37.1%) of biennial funding. Federal grants account for \$3.0 million (4.1%) of the budget for the FY 2022-FY 2023 biennium.
  - Approximately \$25.0 million (91.6%) of GRF funding is for debt service payments on obligations issued to purchase county voting systems. The remaining \$2.2 million is for cybersecurity personnel, poll worker training, and federally required matching funds.

Fund Group	FY 2020 Actual	FY 2021 Estimate	FY 2022 Introduced	FY 2023 Introduced
General Revenue (GRF)	\$11,324,551	\$11,252,927	\$13,624,196	\$13,624,196
Dedicated Purpose (DPF)	\$19,890,126	\$24,459,313	\$21,903,193	\$20,961,698
Federal (FED)	\$9,331,607	\$31,127,199	\$1,500,000	\$1,500,000
Holding Account (HLD)	\$36,058	\$85,000	\$85,000	\$85,000
Total	\$40,582,341	\$67,014,439	\$37,112,389	\$36,170,894
% change	--	65.1%	-44.6%	-2.5%
GRF % change	--	-0.6%	21.1%	0.0%

**Chart 1: SOS Budget by Fund Group  
FY 2022-FY 2023 Biennium**



**Chart 2: SOS Budget by Expense Category  
FY 2022-FY 2023 Biennium**



Biennial total: \$73.3 million

## Overview

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 in the state. This function is handled by the Business Services Division. In addition, the Division handles a variety of Uniform Commercial Code (UCC) filings. The Business Services Division also houses the Notary Commission. Overall, the Secretary of State employs approximately 125 people according to February 2021 payroll records.

## Appropriation summary

As Chart 1 in the “**Quick look**” section on the preceding page shows, the executive budget provides the Secretary of State a total of \$27.2 million (37.1%) in GRF funding, over 90% of which is for debt service on purchases of new voting machines for counties. The remaining portion of the GRF funding is for (1) cybersecurity staffing, (2) the match required for Help America Vote Act grant funding, and (3) poll worker training. The largest share of funding for the Secretary of State comes from filing fees on businesses and notaries in various funds within the Dedicated Purpose Fund Group. Together, these fees plus a small amount in the form of business filing refunds support approximately \$43.0 million (58.8%) of proposed funding for the biennium. These amounts fully support the Business Services Division and also provide supplemental funding for the Elections Division. Finally, \$3.0 million (4.1%) over the biennium comes from federal funding in the form of grants issued by the U.S. Elections Assistance Commission (EAC).

Chart 2 shows the proposed budget for the Secretary of State by object of expense. The amounts budgeted for personal services are \$27.9 million (38.2%). Debt service expenses of \$25.0 million (34.1%) for county voting machines account for the second largest expenditure over the biennium. Altogether, purchased personal services, equipment, transfers, and other miscellaneous costs of approximately \$7.7 million, account for 10.4% of the expenditures for the upcoming biennium. Finally, supplies and maintenance costs of \$12.6 million account for 17.3% of anticipated expenditures for the upcoming biennium.

## FY 2020-FY 2021 highlights

### H.B. 197

H.B. 197 of the 133<sup>rd</sup> General Assembly, which contained various provisions related to the COVID-19 crisis, modified election law by expanding the absent voter period for the March 17, 2020 primary until April 28, 2020. The bill appropriated \$7.0 million to the SOS in FY 2020 to pay these costs. The funding was provided through a cash transfer of \$7.0 million from the state’s Emergency Purposes/Contingency Fund (Fund 5KM0), to the Absent Voter’s Ballot Application Mailing Fund (Fund 5RG0) under the Secretary of State’s budget. The Secretary of State spent approximately \$3.1 million of this amount in FY 2020, and as of February 2021, just less than

\$3.7 million in FY 2021, making a total of \$6.8 million to complete the March 17, 2020 primary election.

### **Elections Assistance Commission grants**

During the FY 2020-FY 2021 biennium, the Secretary of State received two grants from the federal Elections Assistance Commission (EAC). The first grant of nearly \$13.7 million received in April 2020 was used to provide funding to county boards of elections for elections cybersecurity, physical security, and Americans with Disabilities Act (ADA) compliance upgrades, improving cybersecurity programs, and other information technology (IT) related upgrades. This grant required a 20% state match, or approximately \$2.7 million. A portion of the appropriation provided in H.B. 197 mentioned above was used to provide the required match.

The second EAC grant of approximately \$12.8 million was received in June 2020 and was used to support county boards of elections in conducting in-person elections for the November 6, 2020 general election. The funding was used to reimburse counties for procuring equipment, personnel, and supplies, including providing personal protective equipment (PPE) and sanitizing supplies. This grant also required a 20% state match of about \$2.5 million, which came from the appropriation provided in H.B. 197.

## Analysis of FY 2022-FY 2023 budget proposal

### Elections Services

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. Overall, \$18.4 million in FY 2022 and \$18.5 million in FY 2023 is proposed for Elections Services. Approximately 73.9% of the proposed funding in FY 2022 and 73.5% in FY 2023 for these activities is supported by the GRF.

#### Operating Expenses (ALI 050321)

FY 2018 Actual	FY 2019 Actual	FY 2020 Actual	FY 2021 Estimate	FY 2022 Introduced	FY 2023 Introduced
<b>GRF ALI 050321, Operating Expenses</b>					
\$1,532	\$0	\$1,224,334	\$825,000	\$890,000	\$890,000
% change	-100%	N/A	-32.6%	7.9%	0.0%

This line item is used to support cybersecurity measures throughout the Secretary of State's Office. This includes the salaries of the Chief Information Officer and Chief Information Security Officer. This appropriation item is also used to partially provide required federal matches for the HAVA grants described in Federal appropriation item 050616, Help America Vote Act (HAVA).

#### Poll Workers Training (ALI 050407)

FY 2018 Actual	FY 2019 Actual	FY 2020 Actual	FY 2021 Estimate	FY 2022 Introduced	FY 2023 Introduced
<b>GRF ALI 050407, Poll Workers Training</b>					
\$0	\$0	\$0	\$421,552	\$234,196	\$234,196
% change	--	--	N/A	-44.4%	0.0%

Boards of elections 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 through this line item. (Online training sessions and training materials for poll workers are also available on the Secretary of State's website. These costs, however, are budgeted under DPF appropriation item 050631, Precinct Election Officials Training.) Reimbursements related to the 2020 election cycle are expected to be \$421,552. The payment of these expenses often depends on election cycles in which the expenses for each fiscal year are ultimately both paid in one single fiscal year.

### County Voting Systems Lease Rental Payments (ALI 050509)

FY 2018 Actual	FY 2019 Actual	FY 2020 Actual	FY 2021 Estimate	FY 2022 Introduced	FY 2023 Introduced
<b>GRF ALI 050509, County Voting Systems Lease Rental Payments</b>					
\$0	\$0	\$10,100,217	\$10,006,375	\$12,500,000	\$12,500,000
% change	--	--	-0.9%	24.9%	0.0%

This GRF line item is used to pay the debt service on obligations issued for county voting machine acquisitions under S.B. 135 of the 132<sup>nd</sup> General Assembly. That act required the Office of Budget and Management to issue debt instruments of up to \$104.5 million to ensure the payment for these machine acquisitions. As of this writing, there have been \$80 million in obligations issued for 53 counties to acquire new voting machines.

### Board of Voting Machine Examiners (ALI 050610)

FY 2018 Actual	FY 2019 Actual	FY 2020 Actual	FY 2021 Estimate	FY 2022 Introduced	FY 2023 Introduced
<b>Fund 4S80 ALI 050610, Board of Voting Machine Examiners</b>					
\$24,000	\$16,800	\$13,610	\$19,200	\$14,400	\$14,400
% change	-30.0%	-19.0%	41.1%	-25.0%	0.0%

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. Given the \$2,400 vendor certification fee, this level of funding assumes six items of voting equipment will be brought before the Board for certification annually.

### Statewide Voter Registration Database (ALI 050629)

FY 2018 Actual	FY 2019 Actual	FY 2020 Actual	FY 2021 Estimate	FY 2022 Introduced	FY 2023 Introduced
<b>Fund 5990 ALI 050629, Statewide Voter Registration Database</b>					
\$348,446	\$664,089	\$685,435	\$700,000	\$700,000	\$700,000
% change	90.6%	3.2%	2.1%	0.0%	0.0%

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 SWVRD and 88 county boards of elections as well as IT hardware and software maintenance support for the system. Before FY 2017, maintenance and system upgrades or improvements were paid for from HAVA funding under HAVA Fund (Fund 3AS0), appropriation item 050616, Help America Vote Act. Since FY 2017, the database has been funded through the Business Services Fund (Fund 5990).

### Election Support Supplement (ALI 050630)

FY 2018 Actual	FY 2019 Actual	FY 2020 Actual	FY 2021 Estimate	FY 2022 Introduced	FY 2023 Introduced
<b>Fund 5990 ALI 050630, Election Support Supplement</b>					
\$2,058,311	\$1,988,659	\$2,136,188	\$2,288,196	\$2,390,000	\$2,500,000
% change	-3.4%	7.4%	7.1%	4.4%	4.6%

This line item is used to pay for the expenses that the Secretary of State incurs for administering elections, including the salaries of Elections Division employees working in the three areas described immediately below. Approximately 22 employees will be funded through this appropriation. Before FY 2018, payroll funding was supplied by appropriations from the GRF. The current source of operating revenue for these election oversight functions are 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.

### BOE Reimbursement and Education (ALI 050620)

FY 2018 Actual	FY 2019 Actual	FY 2020 Actual	FY 2021 Estimate	FY 2022 Introduced	FY 2023 Introduced
<b>Fund 5FG0 ALI 050620, BOE Reimbursement and Education</b>					
\$40,021	\$1,083,686	\$83,053	\$200,000	\$200,000	\$200,000
% change	2,607.8%	-92.3%	140.8%	0.0%	0.0%

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 approval of the amounts by the Controlling Board. FY 2019 spending, and the remaining amounts that also fell into FY 2020 shown above primarily reflects amounts that county boards of elections were reimbursed for costs they incurred for holding special elections in the 12<sup>th</sup> Congressional District during calendar year 2018. Since this line item is used on an as-needed basis to make these reimbursements, spending from it fluctuates from year to year according to the amounts approved by the Controlling Board. No special elections have occurred during the FY 2021 payment cycle as of this writing.

## Help America Vote Act (HAVA) (ALI 050616)

FY 2018 Actual	FY 2019 Actual	FY 2020 Actual	FY 2021 Estimate	FY 2022 Introduced	FY 2023 Introduced
<b>Fund 3AS0 ALI 050616, Help America Vote Act (HAVA)</b>					
\$14,264	\$2,719,128	\$9,331,607	\$31,127,199	\$1,500,000	\$1,500,000
% change	18,962.7%	243.2%	233.6%	-95.2%	0.0%

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) acquiring, modifying, or replacing voting systems and technology, and (3) implementing the Military and Overseas Voter Empowerment (MOVE) Act. In the FY 2020-FY 2021 biennium, the Secretary of State received two grants through the Elections Assistance Commission (EAC). The first grant of \$13.7 million was used to provide grants to county boards of elections for elections cybersecurity, physical security, and ADA compliance upgrades; improving cybersecurity monitoring; and other IT-related upgrades. The second grant received from the EAC through the Coronavirus Aid, Relief, and Economic Security (CARES) Act was for approximately \$12.8 million, and was used to support county boards of elections in conducting in-person elections for the November 6, 2020 general election. The SOS used the funds to reimburse counties for procuring equipment, personnel, and supplies, including providing PPE and sanitizing supplies. These grants were in addition to remaining funding from federal FY 2018, when Congress authorized additional payments to Ohio of approximately \$12.1 million for technology enhancements and election security improvements. Thus far in FY 2021, the SOS has spent nearly \$15.0 million in grant funding, \$11.1 million in the form of subsidies provided to local boards of elections.

## Business Services

The line items in this category are used to fund functions carried out by 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 nearly \$34.8 million (95.8%) of the \$36.3 million in biennial funding proposed for the Business Services Division. The remainder is budgeted for filing refunds, Notary Commission services, and management of the “Safe at Home” address confidentiality program.

Fund 5990 collected over \$19.5 million in fee revenue in FY 2020. As of February 2021, it has collected approximately \$16.3 million from these various fees in FY 2021. The current cash balance is \$28.4 million.



### Business Services Operating Expenses (ALI 050603)

FY 2018 Actual	FY 2019 Actual	FY 2020 Actual	FY 2021 Estimate	FY 2022 Introduced	FY 2023 Introduced
<b>Fund 5990 ALI 050603, Business Services Operating Expenses</b>					
\$13,466,945	\$14,871,791	\$13,177,691	\$15,310,430	\$17,923,793	\$16,872,298
% change	10.4%	-11.4%	16.2%	17.1%	-5.9%

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 filing fees for the state. Of the proposed funding, most will go to payroll and supplies and maintenance. Approximately \$10.0 million in FY 2022 and \$10.1 million in FY 2023 is slated for payroll. The amount budgeted for supplies and maintenance is approximately \$5.1 million in FY 2022 and \$4.6 million in FY 2023. Purchased personal services and equipment comprises the remaining \$2.8 million in FY 2022 and \$2.1 million in FY 2023 budgeted under this appropriation item.

### Notary Commission (ALI 050609)

FY 2018 Actual	FY 2019 Actual	FY 2020 Actual	FY 2021 Estimate	FY 2022 Introduced	FY 2023 Introduced
<b>Fund 4120 ALI 050609, Notary Commission</b>					
\$267,732	\$256,553	\$392,166	\$475,000	\$475,000	\$475,000
% change	-4.2%	52.9%	21.1%	0.0%	0.0%

This line item is used to pay the expenses of the Notary Public Office, including the cost of issuing licenses. The line item is funded through a \$15 fee paid by individuals for notary public licenses valid for five years, except notary commissions held by practicing attorneys, which are valid as long as the attorney lives in Ohio. The Notary Commission also oversees minister licenses (\$10 fee) and special police officer commissions (\$15). Overall, \$450,000 in each fiscal year under the FY 2022-FY 2023 budget is designated for payroll, with the remaining \$25,000 each fiscal year going to supplies and maintenance. The Notary Commission Fund (Fund 4120) collected just over \$383,000 in revenues in FY 2020. As of February 2021, receipts for FY 2021 currently total \$241,075.

### Address Confidentiality (ALI 050626)

FY 2018 Actual	FY 2019 Actual	FY 2020 Actual	FY 2021 Estimate	FY 2022 Introduced	FY 2023 Introduced
<b>Fund 5SN0 ALI 050626, Address Confidentiality</b>					
\$18,722	\$38,694	\$91,931	\$100,000	\$200,000	\$200,000
% change	106.7	137.6%	8.8%	100.0%	0.0%

This line item is used to fund the Safe at Home address confidentiality program for survivors of domestic violence stalking, human trafficking, rape, or sexual battery and certain other crimes. The program was created by H.B. 359 of the 131<sup>st</sup> General Assembly. Under the program, the Secretary of State arranges to receive mail on the participant’s behalf, shielding the information from public records. The mail is subsequently forwarded to a confidential mailing address. Eligible voters who are participating in the Safe at Home Program may also register to vote or vote by absentee ballot without address information appearing in public voter registration files.

Safe at Home is funded through fines that courts impose when sentencing certain offenders for various offenses. Fines deposited into the Address Confidentiality Fund (Fund 5SN0) in FY 2020 amounted to approximately \$11,000. The amount collected so far in FY 2021, as of February 2021, is almost \$15,000. In addition, uncodified law in the budget bill allows for cash transfers of up to \$200,000 (the full annual appropriation) from the Business Services Fund (Fund 5990) if required to cover the funding needs of the program.

**Corporate/Business Filing Refunds (ALI 050606)**

FY 2018 Actual	FY 2019 Actual	FY 2020 Actual	FY 2021 Estimate	FY 2022 Introduced	FY 2023 Introduced
<b>Fund R002 ALI 050606, Corporate/Business Filing Refunds</b>					
\$105,433	\$63,365	\$36,058	\$85,000	\$85,000	\$85,000
% change	-39.9%	-43.1%	135.7%	0.0%	0.0%

This line item is within the Holding Account Fund Group portion of the Secretary of State’s budget. The amounts listed each year are used to pay out UCC and corporate filing fees that may be subject to refund due to the filing being rejected or otherwise not being recorded, or filings for which there was an overpayment.





















FY 2022 - FY 2023 Appropriations - As Introduced

All Fund Groups

Line Item Detail by Agency			FY 2020	OBM Estimate FY 2021	Introduced FY 2022	FY 2021 to FY 2022 % Change	Introduced FY 2023	FY 2022 to FY 2023 % Change
			Report For: Main Operating Appropriations Bill <span style="float: right;">Version: As Introduced</span>					
SOS Secretary of State								
GRF	050321	Operating Expenses	\$ 1,224,334	\$ 825,000	\$ 890,000	7.88%	\$ 890,000	0.00%
GRF	050407	Poll Workers Training	\$ 0	\$ 421,552	\$ 234,196	-44.44%	\$ 234,196	0.00%
GRF	050509	County Voting Systems Lease Rental Payments	\$ 10,100,217	\$ 10,006,375	\$ 12,500,000	24.92%	\$ 12,500,000	0.00%
General Revenue Fund Total			\$ 11,324,551	\$ 11,252,927	\$ 13,624,196	21.07%	\$ 13,624,196	0.00%
4120	050609	Notary Commission	\$ 392,166	\$ 475,000	\$ 475,000	0.00%	\$ 475,000	0.00%
4140	050602	Citizens Education Fund	\$ 0	\$ 1,128,091	\$ 0	N/A	\$ 0	N/A
4S80	050610	Board of Voting Machine Examiners	\$ 13,610	\$ 19,200	\$ 14,400	-25.00%	\$ 14,400	0.00%
5990	050603	Business Services Operating Expenses	\$ 13,177,691	\$ 15,310,430	\$ 17,923,793	17.07%	\$ 16,872,298	-5.87%
5990	050629	Statewide Voter Registration Database	\$ 685,435	\$ 700,000	\$ 700,000	0.00%	\$ 700,000	0.00%
5990	050630	Elections Support Supplement	\$ 2,136,188	\$ 2,288,196	\$ 2,390,000	4.45%	\$ 2,500,000	4.60%
5990	050631	Precinct Election Officials Training	\$ 0	\$ 578,448	\$ 0	N/A	\$ 0	N/A
5FG0	050620	BOE Reimbursement and Education	\$ 83,053	\$ 200,000	\$ 200,000	0.00%	\$ 200,000	0.00%
5RG0	050627	Absentee Voter Ballot Application Mailing	\$ 3,310,052	\$ 3,699,948	\$ 0	N/A	\$ 0	N/A
5SNO	050626	Address Confidentiality	\$ 91,931	\$ 100,000	\$ 200,000	100.00%	\$ 200,000	0.00%
5VX0	050634	Women's Suffrage Centennial Commission	\$ 0	\$ 50,000	\$ 0	N/A	\$ 0	N/A
Dedicated Purpose Fund Group Total			\$ 19,890,126	\$ 24,549,313	\$ 21,903,193	-10.78%	\$ 20,961,698	-4.30%
R002	050606	Corporate/Business Filing Refunds	\$ 36,058	\$ 85,000	\$ 85,000	0.00%	\$ 85,000	0.00%
Holding Account Fund Group Total			\$ 36,058	\$ 85,000	\$ 85,000	0.00%	\$ 85,000	0.00%
3AS0	050616	Help America Vote Act (HAVA)	\$ 9,331,607	\$ 31,127,199	\$ 1,500,000	-95.18%	\$ 1,500,000	0.00%
Federal Fund Group Total			\$ 9,331,607	\$ 31,127,199	\$ 1,500,000	-95.18%	\$ 1,500,000	0.00%
Secretary of State Total			\$ 40,582,341	\$ 67,014,439	\$ 37,112,389	-44.62%	\$ 36,170,894	-2.54%