

Redbook

LBO Analysis of Executive Budget Proposal

Ohio Secretary of State

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Attachments:

Appropriation Spreadsheet

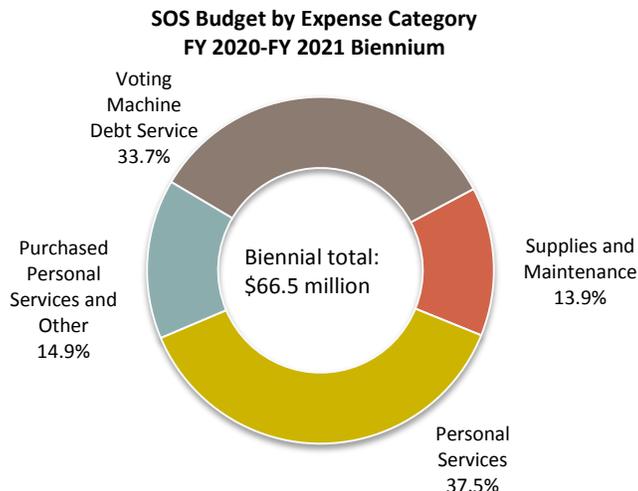
LBO Redbook

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 110 as of March 2019.
- The newly created position of Chief Information Security Officer will oversee the integrity of officewide IT systems.
- Approximately \$35.6 million (53.4%) of total biennial funding comes from business filing fees.
- GRF funding makes up approximately \$26.4 million (39.6%) of biennial funding.
 - Approximately \$22.3 million of GRF funding is for debt service payments on obligations issued to purchase county voting systems.
 - The remaining GRF funding of just under \$4.0 million is for cybersecurity personnel, poll worker training, and federally required matching funds.

Fund Group	FY 2018 Actual	FY 2019 Estimate	FY 2020 Introduced	FY 2021 Introduced
General Revenue	\$1,532	\$10,000,000	\$12,100,196	\$14,263,396
Dedicated Purpose	\$19,588,944	\$21,869,922	\$17,532,755	\$17,960,826
Federal	\$14,264	\$3,475,000	\$2,740,000	\$1,750,000
Holding Account	\$207,855	\$85,000	\$85,000	\$85,000
Total	\$19,812,596	\$35,429,922	\$32,457,951	\$34,059,222
% change	--	78.8%	-8.4%	4.9%
GRF % change	--	6,526.4%	21.0%	17.9%



Overview

Agency 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 110 people according to March 2019 payroll records.

Appropriation summary

The executive budget provides a total appropriation of \$32.5 million in FY 2020 and \$34.1 million in FY 2021 for the Secretary of State. Elections Services operations consist of \$17.8 million (55.0%) of spending in FY 2020, and \$19.0 million (56.0%) of spending in FY 2021. Of these funding totals, \$12.1 million (37.3%) in FY 2020 and nearly \$14.3 million (41.9%) in FY 2021 comes from the GRF. The majority of the GRF funding is for debt service on purchases of new voting machines for counties. The remaining portion of this GRF funding is for (1) cybersecurity staffing, (2) the match required for Help America Vote Act grant funding, and (3) poll worker training. However, 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 support \$17.5 million (54.0%) of proposed funding in FY 2020 and almost \$18.0 million (52.7%) of proposed funding in FY 2021. These amounts fully support the Business Services Division and provide supplemental funding for the Elections Division. Finally, the Secretary of State proposes funding of \$2.7 million in FY 2020 and nearly \$1.8 million in FY 2021 in federal funding from a grant issued through the Help America Vote Act.

The chart in the “**Quick look**” section on the preceding page shows the proposed budget for the Secretary of State by object of expense. The amounts budgeted for personal services are \$24.9 million (37.5%). Debt service expenses of \$22.4 million (33.7%) 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 \$9.9 million, account for 14.9% of the expenditures for the upcoming biennium. Finally, supplies and maintenance costs of \$9.3 million account for 13.9% of anticipated expenditures for the upcoming biennium.

Recent legislation

S.B. 135

S.B. 135 of the 132nd General Assembly established a voting machine acquisition program to facilitate the acquisition and funding of new voting systems for Ohio's counties, with the assistance of the Department of Administrative Services (DAS). The bill requires the Office of Budget and Management to make arrangements for the issuance of obligations not to exceed \$104.5 million to ensure the payment for these machine acquisitions. The bill required the Secretary of State to give a base allocation of funding to each county based on its population, plus an additional allocation based on the number of registered voters in each county as of July 1, 2017. The table below shows the base allocation given to counties.

County Base Allocation	
Registered Voters in County	Base Allocation
0-19,999	\$205,000
20,000-99,999	\$250,000
100,000 or more	\$406,000

After this base allocation, an additional allocation must be made based on the remaining available funding based on the total number of registered voters in the state to determine a per-voter allocation. Then, based on the total number of actual registered voters, that remaining funding is allocated proportionately.

The executive provides funding to begin payment of the debt service on the obligations issued under S.B. 135. This funding is provided through GRF appropriation item 050509, County Voting Systems Lease Rental Payments. The proposed funding for this debt service is approximately \$10.1 million in FY 2020 and approximately \$12.3 million in FY 2021. As of this writing, \$80 million in obligations have been issued for the acquisition of voting machines in 53 counties.

S.B. 135 also provided a mechanism for reimbursement for county voting system acquisitions that were made after January 1, 2014, and before July 30, 2018. The bill also appropriated \$10.0 million through GRF appropriation item 050508, Statewide Voting and Tabulation Equipment. As of this writing, actual expenditures for this purpose are just over \$7.2 million. This reimbursed the 14 counties that qualified for this reimbursement under the bill.

H.B. 41

H.B. 41 of the 132nd General Assembly contained several election-related provisions. But specifically, the bill contained a provision that allows a county that acquired or leased voting or tabulation equipment during the timeframe provided in S.B. 135 to acquire additional equipment using the remaining funding available and paid from appropriation item 050508, Statewide Voting and Tabulation Equipment. As of this writing, approximately \$2.7 million is available for these acquisitions from the original \$10 million GRF appropriation. There is no

funding for this purpose under the Secretary of State's proposed budget for the FY 2020-FY 2021 biennium.

Analysis of FY 2020-FY 2021 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, \$17.8 million in FY 2020 and \$19.0 million in FY 2021 is proposed for Elections Services. Approximately 67.2% of the proposed funding in FY 2020 and 74.7% in FY 2021 for these activities is supported by the GRF.

Operating Expenses (ALI 050321)

FY 2016 Actual	FY 2017 Actual	FY 2018 Actual	FY 2019 Estimate	FY 2020 Introduced	FY 2021 Introduced
GRF ALI 050321, Operating Expenses					
\$2,139,715	\$2,142,498	\$1,532	\$0	\$1,750,000	\$1,750,000
% change	0.1%	-99.9%	-100%	--	0.0%

This line item will be used to support cybersecurity measures throughout the Secretary of State's Office. This includes the salaries of the Chief Information Officer and newly created position of Chief Information Security Officer. This appropriation item will also be used to provide the required federal match for the HAVA grants described in Federal appropriation item 050616 Help America Vote Act (HAVA). The most recent grants provided in federal FY 2018 require a 5% match. Ohio's share requires matching funds of approximately \$605,000, which is due in FY 2020.

Poll Workers Training (ALI 050407)

FY 2016 Actual	FY 2017 Actual	FY 2018 Actual	FY 2019 Estimate	FY 2020 Introduced	FY 2021 Introduced
GRF ALI 050407, Poll Workers Training					
\$0	\$468,392	\$0	\$0	\$234,196	\$234,196
% change	--	-100%	--	--	0.0%

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. These costs are budgeted under DPF appropriation item 050631, Precinct Election Officials Training, in FY 2019, and it expected that these reimbursements will also be \$468,392.

County Voting Systems Lease Rental Payments (ALI 050509)

FY 2016 Actual	FY 2017 Actual	FY 2018 Actual	FY 2019 Estimate	FY 2020 Introduced	FY 2021 Introduced
GRF ALI 050509, County Voting Systems Lease Rental Payments					
\$0	\$0	\$0	\$0	\$10,116,000	\$12,279,200
% change	--	--	--	--	21.4%

This GRF line item will be used to pay the debt service on obligations issued for county voting machine acquisitions under S.B. 135 of the 132nd General Assembly. Under the bill, the Office of Budget and Management was required 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 2016 Actual	FY 2017 Actual	FY 2018 Actual	FY 2019 Estimate	FY 2020 Introduced	FY 2021 Introduced
Fund 4S80 ALI 050610, Board of Voting Machine Examiners					
\$12,000	\$19,200	\$24,000	\$17,871	\$7,200	\$7,200
% change	60.0%	25.0%	-25.5%	-59.7%	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 three items of voting equipment will be brought before the Board for certification annually.

Statewide Voter Registration Database (ALI 050629)

FY 2016 Actual	FY 2017 Actual	FY 2018 Actual	FY 2019 Estimate	FY 2020 Introduced	FY 2021 Introduced
Fund 5990 ALI 050629, Statewide Voter Registration Database					
\$0	\$558,235	\$348,446	\$700,000	\$700,000	\$700,000
% change	--	-37.6%	100.9%	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 2016 Actual	FY 2017 Actual	FY 2018 Actual	FY 2019 Estimate	FY 2020 Introduced	FY 2021 Introduced
Fund 5990 ALI 050630, Election Support Supplement					
\$0	\$0	\$2,058,311	\$2,081,629	\$2,209,204	\$2,288,196
% change	--	--	1.1%	6.1%	3.6%

This line item is used to pay for the expenses that the Secretary of State incurs for administering elections. 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 22 employees will be funded through this appropriation.

BOE Reimbursement and Education (ALI 050620)

FY 2016 Actual	FY 2017 Actual	FY 2018 Actual	FY 2019 Estimate	FY 2020 Introduced	FY 2021 Introduced
Fund 5FG0 ALI 050620, BOE Reimbursement and Education					
\$45,351	\$959,166	\$40,021	\$1,123,046	\$80,000	\$80,000
% change	2,015.0%	-95.8%	2,706.1%	92.9%	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 shown above primarily reflects amounts that county boards of elections were reimbursed for costs they incurred for holding special elections during FY 2019 in the 12th Congressional District. 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.

Help America Vote Act (HAVA) (ALI 050616)

FY 2016 Actual	FY 2017 Actual	FY 2018 Actual	FY 2019 Estimate	FY 2020 Introduced	FY 2021 Introduced
Fund 3AS0 ALI 050616, Help America Vote Act (HAVA)					
\$815,017	\$175,843	\$14,264	\$3,475,000	\$2,740,000	\$1,750,000
% change	-78.4%	-91.9%	24,261.9%	-21.2%	-36.1%

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 federal FY 2018, Congress authorized additional payments to Ohio of approximately \$12.1 million for technology enhancements and election security improvements.

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 \$14.4 million (95.7%) of the funding 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.

Business Services Operating (ALI 050603)

FY 2016 Actual	FY 2017 Actual	FY 2018 Actual	FY 2019 Estimate	FY 2020 Introduced	FY 2021 Introduced
Fund 5990 ALI 050603, Business Services Operating					
\$14,081,511	\$13,706,721	\$13,466,925	\$14,463,102	\$13,961,351	\$14,310,430
% change	-2.7%	-1.7%	8.7%	-4.7%	2.5%

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. Of the proposed funding, most will go to payroll and supplies and maintenance. Approximately \$9.2 million in FY 2020 and approximately \$9.6 million in FY 2021 is slated for payroll. The amount budgeted for supplies and maintenance is approximately \$2.9 million in each fiscal year.

The Business Services Fund (Fund 5990) collected just over \$17.4 million in fee revenue in FY 2018. It is anticipated that the fund will collect approximately \$15.0 million from these various fees in FY 2019. As of March 2019, deposits to Fund 5990 totaled approximately \$13.1 million. The current cash balance of Fund 5990 is \$19.0 million.

Notary Commission (ALI 050609)

FY 2016 Actual	FY 2017 Actual	FY 2018 Actual	FY 2019 Estimate	FY 2020 Introduced	FY 2021 Introduced
Fund 4120 ALI 050609, Notary Commission					
\$455,856	\$462,244	\$267,732	\$478,190	\$475,000	\$475,000
% change	1.4%	-42.1%	78.6%	-0.7%	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). All of the appropriation is slotted for payroll. The Notary Commission Fund (Fund 4120) collected just under \$473,000 in revenues in FY 2018. Projected receipts for FY 2019 are \$475,000. As of March 2019, receipts totaled \$329,664.

Address Confidentiality (ALI 050626)

FY 2016 Actual	FY 2017 Actual	FY 2018 Actual	FY 2019 Estimate	FY 2020 Introduced	FY 2021 Introduced
Fund 5SN0 ALI 050626, Address Confidentiality					
\$0	\$0	\$18,722	\$41,235	\$100,000	\$100,000
% change	--	--	120.2%	142.5%	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 created by H.B. 359 of the 131st 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.

This program is funded through fines that courts may impose when sentencing certain offenders for various offenses. Fines deposited into the Address Confidentiality Fund (Fund 5SN0) in FY 2018 amounted to approximately \$17,300. In addition, uncodified law in the budget bill allows for cash transfers of up to \$50,000 from the Business Services Fund (Fund 5990) if required to cover the funding needs of the program.

Corporate/Business Filing Refunds (ALI 050606)

FY 2016 Actual	FY 2017 Actual	FY 2018 Actual	FY 2019 Estimate	FY 2020 Introduced	FY 2021 Introduced
Fund R002 ALI 050606, Corporate/Business Filing Refunds					
\$137,178	\$131,669	\$105,433	\$85,000	\$85,000	\$85,000
% change	-4.0%	-19.9%	-19.4%	0.0%	0.0%

This line item is within the Holding Account Fund Group portion of the Secretary of State's budget. This line item is 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 2020 - FY 2021 Appropriations - As Introduced

All Fund Groups

Line Item Detail by Agency			Estimate	Introduced	FY 2019 to FY 2020	Introduced	FY 2020 to FY 2021	
			FY 2018	FY 2019	FY 2020	% Change	FY 2021	% Change
Report For: Main Operating Appropriations Bill			Version: As Introduced					
SOS Secretary of State								
GRF	050321	Operating Expenses	\$ 1,532	\$ 0	\$ 1,750,000	N/A	\$ 1,750,000	0.00%
GRF	050407	Poll Workers Training	\$0	\$ 0	\$ 234,196	N/A	\$ 234,196	0.00%
GRF	050508	Statewide Voting and Tabulation Equipment	\$0	\$ 10,000,000	\$ 0	-100.00%	\$ 0	N/A
GRF	050509	County Voting Systems Lease Rental Payments	\$0	\$ 0	\$ 10,116,000	N/A	\$ 12,279,200	21.38%
General Revenue Fund Total			\$ 1,532	\$ 10,000,000	\$ 12,100,196	21.00%	\$ 14,263,396	17.88%
4120	050609	Notary Commission	\$ 267,732	\$ 478,190	\$ 475,000	-0.67%	\$ 475,000	0.00%
4S80	050610	Board of Voting Machine Examiners	\$ 24,000	\$ 17,871	\$ 7,200	-59.71%	\$ 7,200	0.00%
5990	050507	Remote Ballot Marking System	\$ 1,500,000	\$0	\$0	N/A	\$0	N/A
5990	050603	Business Services Operating Expenses	\$ 13,466,925	\$ 14,643,102	\$ 13,961,351	-4.66%	\$ 14,310,430	2.50%
5990	050628	Litigation Related Expenses	\$ 936,470	\$ 547,500	\$ 0	-100.00%	\$ 0	N/A
5990	050629	Statewide Voter Registration Database	\$ 348,446	\$ 700,000	\$ 700,000	0.00%	\$ 700,000	0.00%
5990	050630	Elections Support Supplement	\$ 2,058,311	\$ 2,081,629	\$ 2,209,204	6.13%	\$ 2,288,196	3.58%
5990	050631	Precinct Election Officials Training	\$0	\$ 468,392	\$ 0	-100.00%	\$ 0	N/A
5FG0	050620	BOE Reimbursement and Education	\$ 40,021	\$ 1,123,046	\$ 80,000	-92.88%	\$ 80,000	0.00%
5FH0	050621	Statewide Ballot Advertising	\$ 928,318	\$ 410,378	\$ 0	-100.00%	\$ 0	N/A
5RG0	050627	Absentee Voter Ballot Application Mailing	\$0	\$ 1,358,579	\$ 0	-100.00%	\$ 0	N/A
5SN0	050626	Address Confidentiality	\$ 18,722	\$ 41,235	\$ 100,000	142.51%	\$ 100,000	0.00%
Dedicated Purpose Fund Group Total			\$ 19,588,944	\$ 21,869,922	\$ 17,532,755	-19.83%	\$ 17,960,826	2.44%
R001	050605	Uniform Commercial Code Refunds	\$ 102,422	\$0	\$0	N/A	\$0	N/A
R002	050606	Corporate/Business Filing Refunds	\$ 105,433	\$ 85,000	\$ 85,000	0.00%	\$ 85,000	0.00%
Holding Account Fund Group Total			\$ 207,855	\$ 85,000	\$ 85,000	0.00%	\$ 85,000	0.00%
3AS0	050616	Help America Vote Act (HAVA)	\$ 14,264	\$ 3,475,000	\$ 2,740,000	-21.15%	\$ 1,750,000	-36.13%
Federal Fund Group Total			\$ 14,264	\$ 3,475,000	\$ 2,740,000	-21.15%	\$ 1,750,000	-36.13%
Secretary of State Total			\$ 19,812,596	\$ 35,429,922	\$ 32,457,951	-8.39%	\$ 34,059,222	4.93%