



Ohio Secretary of State
House Finance Subcommittee on State Government & Agency Review
2018-2019 Biennial Budget – Sub. House Bill 49

Tuesday, May 16, 2017

Chairman Jordan, Vice Chairman O'Brien, and members of the Senate Finance Subcommittee on General Government and Agency Review: Thank you for the opportunity to present the 2018-2019 biennial budget for the office of the Secretary of State. I am Matt Damschroder, the Assistant Secretary of State.

Over the past six years, Secretary Husted and his staff have been focused to providing better services at a lower cost to taxpayers. This includes working to ensure Ohio is a place where it is *both* easy to vote *and* hard to cheat, as well as making it easier to start and maintain a business. This commitment to our customers – Ohio's taxpayers – has enabled us to cut bureaucracy, which resulted in the reduction of spending by \$14.5 million over the previous administration. With the legislature's assistance, we then passed those savings along to our business customers by providing a success dividend by way of a 21 percent reduction in new business filing fees. Our proposed 2018-2019 biennial budget further expands on this commitment to fiscal responsibility.

Because of our careful fiscal stewardship, we are very proud to present a budget that will save Ohio taxpayers \$4.76 million over the next two years by using existing cash balances to fund operations rather than requesting \$2.38 million per fiscal year in general revenue fund (GRF) support. **In this unprecedented action, Secretary Husted is requesting no GRF funds for office operations for the 2018-2019 biennium.**

In the Secretary of State's Office, we are providing enhanced services to Ohio voters, to the county boards of elections and to the businesses and customers we serve while requiring fewer staff and substantially reducing our spending. Reductions have occurred in many areas of office operations with the most significant savings achieved through payroll. Actual filled positions have been reduced by more than

30 percent, from approximately 190 when Secretary Husted took office in January 2011 to fewer than 130 today. Payroll spending was cut by more than \$4.4 million during Secretary Husted's first term compared to the previous administration. In fact, actual payroll expenses in FY 2016 (at \$11.7 million) are at the lowest level in nine years.

General Revenue Funds (GRF)

In previous biennia, nearly \$4.76 million in state GRF funds have been used to support office operations and statutorily required poll worker training which is disbursed to county boards of election – down from nearly \$6 million under the previous administration. We are now requesting a 100 percent reduction in GRF funds for the new biennium. Instead we propose the creation of two new appropriation line items (ALIs) – 050630, Elections Support Supplement and 050631, Precinct Election Officials Training – within the Business Services Fund 5990, to fund these previously GRF-supported functions. We will use existing cash balances in Fund 5990 instead of taxpayer funded GRF.

Non-GRF – Business Services Fund 5990

During the 2018-2019 biennium, the Secretary of State's office will be supported solely through non-GRF sources. Previously, the GRF provided approximately 12 percent of the operating needs of the office. The majority of non-GRF dollars are from the Business Services Fund 5990 which receives fees collected for filings under Title 13 and Title 17 of the Revised Code (uniform commercial code and business filings, respectively). Annual revenue into the fund totals approximately \$15 million.

Ohio Business Central - Online Business Filings

Prior to Secretary Husted's first term in office, the only business filings available to process online were certificates of good standing. Using in-house resources and staff, we successfully launched Ohio Business Central (OBC) in October 2013, making online business filings a reality. Today, more than 80 percent of all filings can be done online and half of all new companies are started online. We continue to add forms so they can be done conveniently online 24 hours a day, seven days a week. And we process them more expeditiously.

The most frequently used forms are now available to be filed online, including:

File a New Business or Register a Name

- Initial Articles of Incorporation: For Profit, Domestic Corporation (Form 532A)
- Initial Articles of Incorporation: Nonprofit, Domestic Corporation (Form 532B)
- Initial Articles of Incorporation: Professional Association, Domestic Corporation (Form 532C)
- Foreign For-Profit Corporation Application for License (Form 530A)

- Foreign Nonprofit Corporation Application for License (Form 530B)
- Registration of Corporation Name, Foreign Corporation (Form 530C)
- Articles of Organization for a Domestic Limited Liability Company (Form 533A)
- Registration of a Foreign Limited Liability Company (Form 533B)
- Statement of Partnership Authority (Form 535)
- Certificate of Domestic Limited Partnership (Form 531A)
- Certificate of Foreign Limited Partnership (Form 531B)
- Statement of Domestic Qualification: Limited Liability Partnership (Form 536)
- Statement of Foreign Qualification: Limited Liability Partnership (Form 537)
- Trade and Fictitious Name Registration (Form 534A)

Update an Existing Business Record

- Biennial Report: Professional Association / Limited Liability Partnership (Form 520)
- Statutory Agent Update (Form 521)
- Statement of Continued Existence of Nonprofit Corporation: Foreign / Domestic (Form 522)
- Renewal of Trade Name or Fictitious Name Registration (Form 523A)
- Reinstatement & Appointment of Agent (Form 525A)
- Certificate of Dissolution of Limited Liability Company /Cancellation of Foreign Limited Liability Company (Form 562)

Certificates

- Certificate of Good Standing
- Full Force and Effect Certificate
- Certified Copies

New Business Fee Reduction

After making it easier and quicker to start a new business, Secretary Husted then turned to the cost. At the Secretary's request, the General Assembly enacted legislation to reduce new business filing fees. Fees were reduced from \$125 to \$99 and \$50 to \$39 (a 21 percent reduction). This fee reduction has saved Ohio businesses over \$3.8 million in the 19 months since its September 2015 effective date. Even with reduced revenue as a result of the fee cut, due to the cost savings initiatives undertaken by the office, we are now able to use existing cash balances in our Business Services Fund 5990 instead of relying on any state GRF for the 2018-2019 biennium.

Non-GRF – Federal Funding

Since June 2004, Ohio received a total of \$143 million in federal Help America Vote Act (HAVA) funds. However, no new funds have been authorized by Congress since federal FY 2010 and no further funds are expected. The majority of the federal HAVA funds were used during state FY 2006 and FY 2007 for the replacement of county voting equipment. These federal HAVA funds, provided through the U.S. Election Assistance Commission, have also been used to reimburse counties for back-up paper ballots, for improvements and enhancements to the statewide voter registration database (SWVRD), to supplement the GRF appropriation for required precinct election official training, for communication lines between the Secretary of State and each county board of elections, and for the statewide mailing of absentee ballot

applications to all registered voters in 2012 and 2014. Previously HAVA funds were also used to support Secretary of State staff but that practice was discontinued in mid FY 2012. Virtually all HAVA funds available to Ohio have been expended.

Statewide Voter Registration Database

With HAVA funds gone, there are several important ongoing elections technology functions that must continue to be supported through other sources. These include important functions related to the maintenance of the SWVRD (communication lines between the Secretary of State and each county board of elections, IT hardware and software maintenance for the SWVRD servers and other SWVRD-related functions previously supported through federal HAVA funds). A nearly completed upgrade to the county communications lines is resulting in annual savings of 25 percent or \$125,000 annually.

Through Controlling Board action, a new SWVRD ALI 050629 within Fund 5990 was created in FY 2017 with appropriations of \$700,000 to fund these critical SWVRD functions. Our request includes this continued support level in both FY 2018 and FY 2019.

Statewide Absentee Ballot Application Mailing

Another important item, initially funded through HAVA is the statewide mailing of absentee ballot applications. Section 3501.05(E) of the Revised Code permits the Secretary of State to mail unsolicited applications for absentee ballot applications in general elections only if the General Assembly has made an appropriation for that particular mailing. The General Assembly provided \$1.25 million in FY 2017 through the Controlling Board for this mailing for November 2016. Instead of a direct appropriation to the Controlling Board, House Bill 49 includes temporary language -authorizing a transfer from Controlling Board Emergency Purposes/Contingency Funds for this purpose. It is expected that a similar level of funding would be required in FY 2019 for a mailing for the 2018 general election.

Issue Advertising

Likewise, instead of a direct appropriation to the Controlling Board, House Bill 49 also includes temporary language allowing for a transfer from Controlling Board Emergency Purposes/Contingency Funds for statewide ballot issue advertising. Any request for funds to meet this Constitutional requirement is dependent on the number and length of any statewide ballot issues to be published but has typically averaged about half a million dollars.

Future Voting Technologies

As already noted, federal funds were used to fully overhaul the Election Day voting technology before the 2006 federal general election. Like any IT system, these voting systems, while still accurate and secure, are becoming outdated; most counties began implementing new, HAVA-compliant voting systems in 2005 – a full two years before Apple would introduce its first-generation iPhone.

In 2015, the General Assembly appropriated funds through the Department of Administrative Services (DAS) to provide an 85 percent state match to counties to assist with the purchase of electronic pollbooks. Through DAS's coordination, and in cooperation with the County Commissioners Association of Ohio and the Ohio Election Officials Association, this approach has been a success and can serve as a model for a future program of state procurement and matching funds support for counties to upgrade voting technology well in advance of the 2020 presidential election cycle.

To that end, we recommend that the state provide funding to replace the state's voting equipment in the 2018-2019 biennial budget. The HAVA-era cost for Ohio's statewide replacement of voting machines was more than \$100 million.

Address Confidentially Program

The newly established Safe at Home, address confidentiality program, was established in September 2016. Courts may impose fines on certain offenses that are deposited into the new Address Confidentiality Fund 5SN0. After eight months, revenue into the fund is about \$-140,200. Most costs to the program will be for postage as well as for printing and training as the program is fully implemented.

This request represents what is possible when a government office truly commits to doing more with less. Because of our unwavering commitment to innovation, efficiency and the taxpayers of Ohio, the Secretary of State's Office is able to come before this committee today to submit a budget proposal that requires **zero** tax dollars for the next two years.

Thank you. I am happy to address any questions you may have.