Department of State - Secretary of State

	FY 2019	FY 2020	FY 2021
	ACTUAL	ESTIMATE	APPROVED
OPERATING BUDGET			
Full Time Equivalent Positions	141.1	143.1	143.1
Personal Services	5,245,900	5,528,200	5,784,200
Employee Related Expenditures	1,994,900	1,753,800	1,803,600
Professional and Outside Services	1,857,300	853,800	853,800
Fravel - In State	9,200	13,400	13,400
ravel - Out of State	31,200	60,900	60,900
Other Operating Expenditures	4,569,000	4,638,900	4,638,900
quipment	119,500	6,200	6,200
PERATING SUBTOTAL	13,827,000	12,855,200	13,161,000 1/
PECIAL LINE ITEMS			
Election Services	3,610,000	0	4,000,000 ² /
HAVA - Help America Vote Act (2002)	263,300	0	0
HAVA - Other Help America Vote Act Projects	1,483,000	0	0 3/
HAVA - Statewide Voter Registration System	923,700	0	0
HAVA - December 2019 Grant - County Allocation	0	5,352,200 ^{4/}	0
HAVA - December 2019 Grant - SOS Allocation	0	1,338,100 ^{4/}	0
residential Preference Election	0	0 7,025,000 5/5/7/8/9/ 10/11/	
pecial Election	1,190,200	0	0
Jniform State Laws Commission	0	99,000	99,000
ibrary Grants-in-Aid	605,000	651,400	651,400 ¹² /
tatewide Radio Reading Service for the Blind	97,000	97,000	97,000
GENCY TOTAL	21,999,200	27,417,900	18,008,400 ¹³ /
TIND COURCE			
GUND SOURCES General Fund	18,185,500	19,984,800	17,263,600
Other Appropriated Funds	10,103,300	13,304,000	17,203,000
Election Systems Improvement Fund	2,670,000	6,690,300	0
lection systems improvement rund	1,143,700	742,800	744,800
	3,813,700	7,433,100	744,800
SUBTOTAL Appropriated Funds			,
SUBTOTAL - Appropriated Funds	21,999,200	27,417,900	18,008,400
Other Non-Appropriated Funds	1,089,700	1,103,700	1,103,700
ederal Funds	3,670,300	3,470,400	3,470,400
TOTAL - ALL SOURCES	26,759,200	31,992,000	22,582,500

AGENCY DESCRIPTION — The Secretary of State is an elected Constitutional Officer. The Department of State is responsible for recordings and filings under the Uniform Commercial Code (U.C.C.); coordinating statewide elections; receiving campaign filings; registering trade names, trademarks and limited partnerships; appointing notaries public; and certifying certain telemarketing and charitable solicitation organizations and provides administrative support for the Commission on Uniform State Laws. In addition, the department is the archival authority and designated repository for historical records and documents of state and local governments, as well as a designated federal document regional repository.

FOOTNOTES

- 1/ Included in the operating lump sum appropriation of \$13,161,000 for fiscal year 2020-2021 is \$5,000 for the purchase of mementos and items for visiting officials. (General Appropriation Act footnote, as adjusted for statewide allocations)
- 2/ Before transferring any monies in or out of the election services line item, the secretary of state shall submit a report for review by the joint legislative budget committee. (General Appropriation Act footnote)

- 3/ Notwithstanding section 35-190, Arizona Revised Statutes, the appropriation of \$5,400,400 to the secretary of state for other help America vote act projects made by Laws 2018, chapter 276, section 85 that remains unexpended on June 30, 2022 reverts to the fund from which the monies were appropriated. (General Appropriation Act footnote)
- 4/ The sum of \$6,690,300 is appropriated from the election systems improvement fund established by section 41-129, Arizona Revised Statutes, in fiscal year 2019-2020 to the secretary of state to be allocated as follows:
 - 1. \$5,352,200 shall be distributed to the counties for election systems improvements. Each county shall receive \$50,000 and the remainder of the monies allocated shall be distributed to each county based on the county's population according to the 2010 United States decennial census.
 - 2. \$1,338,100 shall be used by the secretary of state for election systems improvements. Before spending the monies, the secretary of state shall submit an expenditure plan for review by the joint legislative budget committee.

The appropriation made in subsection A of this section is exempt from the provisions of section 35-190, Arizona Revised Statutes, relating to lapsing of appropriations, until June 30, 2022. (General Appropriation Act footnote)

- 5/ In addition to monies appropriated pursuant to Laws 2019, chapter 263, section 87, the sum of \$2,616,900 is appropriated from the state general fund in fiscal year 2019-2020 to the secretary of state to reimburse expenses incurred by counties to administer the 2020 presidential preference election. (General Appropriation Act footnote)
- 6/ The secretary of state shall reimburse counties based on the number of active registered voters in that county on January 2, 2020 as follows:
 - 1. For counties with an official active voter registration total of five hundred thousand persons or more, in the amount of the actual expenses incurred or \$1.74 for each active registered voter in the county, whichever is less.
 - 2. For counties with an official active voter registration total of two hundred thousand persons or more and less than five hundred thousand persons, in the amount of the actual expenses incurred or \$1.60 for each active registered voter in the county, whichever is less.
 - 3. For counties with an official active voter registration total of one hundred thousand persons or more and less than two hundred thousand persons, in the amount of the actual expenses incurred or \$1.90 for each active registered voter in the county, whichever is less.
 - 4. For counties with an official active voter registration total of fifty thousand persons or more and less than one hundred thousand persons, in the amount of the actual expenses incurred or \$2.00 for each active registered voter in the county, whichever is less.
 - 5. For counties with an official active voter registration total of twelve thousand persons or more and less than fifty thousand persons, in the amount of the actual expenses incurred or \$2.10 for each active registered voter in the county, whichever is less.
 - For counties with an official active voter registration total of less than twelve thousand persons, in the amount of the actual expenses incurred or \$2.40 for each active registered voter in the county, whichever is less. (General Appropriation Act footnote)
- 7/ A county shall submit its certified claims to the secretary of state not later than May 18, 2020. (General Appropriation Act footnote)
- 8/ On or before December 31, 2020, the secretary of state shall submit a report to the joint legislative budget committee and the governor's office of strategic planning and budgeting regarding reimbursements made pursuant to this section. (General Appropriation Act footnote)
- 9/ The appropriation and reimbursement rates prescribed do not set a precedent that the costs of administering any process to select party nominees for a presidential election held after March 17, 2020 will be reimbursed by the state at any particular level. (General Appropriation Act footnote)
- <u>10</u>/ Notwithstanding Laws 2019, chapter 263, section 87, the \$4,408,100 appropriated for the presidential preference election line item by Laws 2019, chapter 263, section 87 is exempt from the provisions of section 35-190, Arizona Revised Statutes, relating to lapsing of appropriations, until December 31, 2020. (General Appropriation Act footnote)
- 11/ The appropriation made in subsection A of this section is exempt from the provisions of section 35-190, Arizona Revised Statutes, relating to lapsing of appropriations, until December 31, 2020. (General Appropriation Act footnote)
- 12/ This appropriation is a continuing appropriation and is exempt from the provisions of A.R.S. § 35-190, relating to lapsing of appropriations. (General Appropriation Act footnote)
- 13/ General Appropriation Act funds are appropriated as an Operating Lump Sum with Special Line Items by Agency.

Operating Budget

The budget includes \$13,161,000 and 143.1 FTE Positions in FY 2021 for the operating budget. These amounts consist of:

FY 2021

General Fund Record Services Fund \$12,416,200 744,800

FY 2021 adjustments are as follows:

Statewide Adjustments

The budget includes an increase of \$305,800 in FY 2021 for statewide adjustments. This amount consists of:

General Fund Record Services Fund 303,800 2,000

(Please see the Agency Detail and Allocations section.)

Election Services

The budget includes \$4,000,000 from the General Fund in FY 2021 for the Election Services line item. FY 2021 adjustments are as follows:

Election Year Funding

The budget includes an increase of \$4,000,000 from the General Fund in FY 2021 for election year funding. This adjustment funds the statewide primary election on August 4, 2020, and the General Election on November 3, 2020.

For traditional state elections, statute requires the Secretary of State (SOS) to: 1) reimburse counties for the costs of printing, labeling, and postage for sample ballots; 2) pay the cost of any recount of votes; 3) reimburse the County Recorder for the costs of certifying petition and referendum signatures; 4) print and mail a publicity pamphlet to every household with a registered voter for any initiative or referendum; 5) review and process initiative and referendum signatures; and 6) process challenges to candidate eligibility.

The FY 2017 General Appropriation Act transferred ongoing annual elections services costs into the agency's operating budget. This line item is intended only to cover variable election costs in an election year.

In FY 2020, the Presidential Preference Election is funded in a separate line item.

HAVA - Other Help America Vote Act (HAVA) Projects

The budget includes no funding from the Election Systems Improvement Fund in FY 2021 for this line item. This amount is unchanged from FY 2020.

HAVA is federal election reform legislation from 2002 that imposes several requirements on the states with respect to the conduct of federal elections. Arizona received \$7,463,700 from a new allocation from the federal government in FY 2018 to fulfill projects that further the goals of HAVA or improve election security. Of the \$7,463,700, the FY 2019 budget allocated \$5,400,400 to this line item. The other \$2,063,300 from the allocation is discussed in the next line item.

An FY 2019 General Appropriation Act footnote required SOS to submit an expenditure plan for review by the Joint Legislative Budget Committee (JLBC) for the monies in this line item. On June 18, 2019, JLBC reviewed a revised version of the *expenditure plan*. The revised expenditure plan included \$2,735,000 for county grants, \$935,800 for voter registration system development costs, and \$211,600 for voter registration database maintenance costs in FY 2020.

Because this appropriation was scheduled to lapse at the end of FY 2020, the budget includes a new footnote extending the lapse date for Other HAVA Projects monies until June 30, 2022, which follows the standard 2-year appropriation schedule for prior HAVA funding.

On June 24, 2020, JLBC reviewed the FY 2021 <u>expenditure plan</u> for these monies, which included voter registration database development costs and county subgrants that had been delayed from FY 2020. In addition, funding was allocated to maintenance costs for the voter registration database and IT security enhancements.

This line item only contains funding from the March 2018 HAVA allocation from the federal government and does not include any additional HAVA monies from the Consolidated Appropriations Act of 2020 (December 2019 allocation) or the recent March 2020 federal Coronavirus Aid, Relief, and Economic Security (CARES) Act COVID-19 relief legislation. (For a discussion of the 2020 HAVA Supplemental, please see the Other Issues section.)

HAVA - Statewide Voter Registration System

The budget includes no funding from the Election Systems Improvement Fund in FY 2021 for development of a new statewide voter registration system. This amount is unchanged from FY 2020.

The voter registration database will replace technology from the late 1990s that facilitates the exchange of voter registration data between the counties and the Secretary of State. This new system will serve as the primary database for 13 counties and will connect to the Pima County and the Maricopa County databases.

At the June 19, 2018 JLBC Meeting, the Committee reviewed the expenditure of \$2,063,300 for the new system and provided a favorable review of an additional \$235,500 in the Other HAVA Projects line item to be spent on project management. At the June 18, 2019 JLBC meeting, the Committee reviewed the FY 2020 expenditure of \$935,800 in additional "Other Help America Vote Act" funds to complete the new system.

Due to project delays, the vendor billing of these remaining funds to complete the system was delayed into FY 2021 and a similar funding amount for FY 2021 was reviewed at the June 24, 2020 JLBC meeting. (Please see the Other Help America Vote Act Projects line item for a discussion of these monies.)

In December 2019, the agency completed testing and transitioned to the new Arizona Voter Information Database (AVID).

This line item only contains funding from the March 2018 HAVA allocation from the federal government and does not include any additional HAVA monies from the Consolidated Appropriations Act of 2020 (December 2019 allocation) or the recent March 2020 federal CARES Act COVID-19 relief legislation. (For a discussion of the 2020 HAVA Grant Supplemental, please see the Other Issues section).

HAVA - December 2019 Grant - County Allocation

The budget includes no funding from the Election Systems Improvement Fund in FY 2021 for the HAVA - December 2019 Grant - County Allocation line item. FY 2021 adjustments are as follows:

Remove Supplemental County Appropriation

The budget includes a decrease of \$(5,352,200) from the Election Systems Improvement Fund in FY 2021 for removing the one-time county funding allocated from the HAVA election security grant included in the federal Consolidated Appropriations Act of 2020 (enacted in December 2019).

The enacted budget included an FY 2020 supplemental that allocated \$5,352,200 of HAVA funding to the counties for election systems improvements. Each county received a base amount of \$50,000, with remaining monies

allocated based on population according to the 2010 decennial census. Pursuant to a General Appropriation Act footnote, these monies are scheduled to lapse on June 30, 2022. (For a discussion of the 2020 HAVA Supplemental, please see the Other Issues section.)

HAVA - December 2019 Grant - SOS Allocation

The budget includes no funding from the Election Systems Improvement Fund in FY 2021 for the HAVA - December 2019 Grant - SOS Allocation line item. FY 2021 adjustments are as follows:

Remove Supplemental SOS Appropriation

The budget includes a decrease of \$(1,338,100) from the Election Systems Improvement Fund in FY 2021 for removing the one-time SOS funding allocated from the HAVA election security grant included in the federal Consolidated Appropriations Act of 2020 (enacted in December 2019).

The enacted budget included an FY 2020 supplemental that allocated \$1,338,100 of HAVA funding to SOS for election systems improvements, subject to JLBC review of the SOS expenditure plan. On June 24, 2020, JLBC reviewed the expenditure plan for these monies, including a provision requiring that any expenditures for a public information campaign only be made in the form of grants to county recorders for that purpose and shall be distributed as follows: \$50,000 to each of the 5 largest counties according to the 2010 decennial census and \$25,000 to each of the remaining counties. Pursuant to a General Appropriation Act footnote, these monies are scheduled to lapse on June 30, 2022. (For a discussion of the 2020 HAVA Supplemental, please see the Other Issues section).

Presidential Preference Election (PPE)

The budget includes no funding from the General Fund in FY 2021 for the Presidential Preference Election (PPE) line item. FY 2021 adjustments are as follows:

Remove One-Time PPE Funding

The budget includes a decrease of \$(7,025,000) from the General Fund in FY 2021 to remove one-time funding for the PPE held on March 17, 2020. Of this funding amount, \$7,000,000 would be allocated toward county reimbursement based on the per registered voter costs assumed in the budget, leaving the remaining \$25,000 for SOS costs related to the testing of PPE voting equipment.

During a PPE, voters affiliated with a political party express their preference for a presidential candidate of their political party. Voters registered with no party

designation or of a party not conducting a PPE do not participate. The conduct of the election differs from other contests in that there is a separate ballot for each recognized political party conducting a PPE and no other election may appear on the PPE ballot. The Republican Party opted out of the March 2020 Presidential Preference Election.

A.R.S. § 16-250 allows counties to be reimbursed up to \$1.25 per each active registered voter in the county as of the January of the PPE year.

While the budget opts to reimburse counties at a higher rate than the statutory requirement of \$1.25 per active registered voter, the Budget Procedures Budget Reconciliation Bill (BRB) includes an intent clause stating that the appropriation and reimbursement rates for the 2020 PPE do not set a precedent for reimbursement levels of future PPEs. (For a discussion of the FY 2020 PPE Supplemental, please see the Other Issues section.)

Uniform State Laws Commission

The budget includes \$99,000 from the General Fund in FY 2021 for costs associated with the state's participation in the Uniform State Laws Commission. This amount is unchanged from FY 2020.

The Uniform State Laws Commission attempts to provide states with non-partisan legislation that creates consistency from state to state in areas of state law. Monies in this line item may be used to cover travel and other expenses related to Arizona's participation in the Commission.

Library Grants-in-Aid

The budget includes \$651,400 from the General Fund in FY 2021 for Library Grants-in-Aid. This amount is unchanged from FY 2020.

This line item funds a portion of the state maintenance of effort (MOE) that is required for receipt of federal dollars under the Library Services and Technology Act (LSTA). Receipt of LSTA monies is dependent on the state's ability to meet an MOE requirement, which is tied to the state contribution made in each of the 3 prior years.

Statewide Radio Reading Service for the Blind

The budget includes \$97,000 from the General Fund in FY 2021 for Statewide Radio Reading Service for the Blind. This amount is unchanged from FY 2020.

These monies are used to provide information access services for blind and visually impaired individuals. Services include radio information broadcasts, a telephone and web-based news reading service, and internet radio broadcasting for individuals who are outside the range of the radio broadcast.

Other Issues

This section includes information on the following topics:

- FY 2024 Electronic Document Repository Funding
- FY 2020 PPE Supplemental
- FY 2020 HAVA Supplemental
- COVID-19 Federal Legislation Election Funding
- Coronavirus Relief Fund SOS Allocation
- Statutory Changes
- Long-Term Budget Impacts

FY 2024 Electronic Document Repository Funding

Laws 2019, Chapter 275 appropriated \$70,000 and 1 FTE Position from the General Fund in FY 2024 for the establishment of an electronic repository of state archives and documents.

FY 2020 PPE Supplemental

The FY 2021 budget includes an FY 2020 supplemental appropriation of \$2,616,900 from the General Fund for reimbursing county elections divisions for the expenses incurred for the administration of the 2020 PPE, bringing total FY 2020 PPE funding to \$7,025,000. The budget requires a county to be reimbursed in the amount of actual expenses, subject to the following limits:

- Counties with an active voter registration as of January 1, 2020 of 500,000 or more persons to be reimbursed at a rate of \$1.74 per active registered voter or in the amount of the actual expenses incurred, whichever is less.
- Counties with an active voter registration between 200,000-500,000 persons to be reimbursed at a rate of \$1.60 per active registered voter or in the amount of the actual expenses incurred, whichever is less.
- Counties with an active voter registration between 100,000-200,000 persons to be reimbursed at a rate of \$1.90 per active registered voter or in the amount of the actual expenses incurred, whichever is less.
- Counties with an active voter registration between 50,000-100,000 persons to be reimbursed at a rate of

- \$2.00 per active registered voter or in the amount of the actual expenses incurred, whichever is less.
- Counties with an active voter registration between 12,000-50,000 persons to be reimbursed at a rate of \$2.10 per active registered voter or in the amount of the actual expenses incurred, whichever is less.
- Counties with an active voter registration of less than 12,000 persons to be reimbursed at a rate of \$2.40 per active registered voter or in the amount of the actual expenses incurred, whichever is less.

Pursuant to a General Appropriation Act footnote, counties must have submitted reimbursement claims to the Secretary of State by May 18, 2020. (Please see Presidential Preference Election line item for further details.)

FY 2020 HAVA Supplemental

The FY 2021 budget includes an FY 2020 supplemental appropriation of \$6,690,300 from the Election Systems Improvement Fund for federal HAVA grant monies allocated to the state in December 2019.

The Consolidated Appropriations Act of 2020 allocated \$8,362,700 in HAVA funds to Arizona for the purpose of improving election administration for federal offices as well as enhancing election technology and improving election security. After the technical reallocation of funding by the federal Election Assistance Commission (EAC), Arizona's final allocation from the CARES Act HAVA grant is \$8,397,300. These funds are deposited into the Elections Systems Improvement Fund and require a legislative appropriation.

To receive the full \$8,397,300 allocation, Arizona must provide a 20% match of \$1,672,500 within 2 years of the grant's start date (with the 20% match based on the original funding allocation).

The penalty for not providing a 20% state match is such that only the portion of the grant that is matched can be used. Previous guidance had suggested that if the state provided no match, a penalty in the amount of the match would be deducted, leaving the state with 80% of its allocation. Based on this premise, the enacted budget appropriated \$6,690,300 of these HAVA monies in total to the counties and SOS for election systems improvements (the original allocation of \$8,362,700 less the 1,672,500 required match, adjusted for rounding).

After the enactment of the budget, SOS reported that inkind spending from Maricopa County allowed Arizona to meet the 20% match requirement, allowing the state to access the entire grant amount. Given that \$6,690,300

was appropriated as an FY 2020 supplemental, there is \$1,707,000 of unallocated funding from the December 2019 HAVA grant. (Please see HAVA - December 2019 Grant - County Allocation and HAVA - December 2019 Grant - SOS Allocation for further details.)

COVID-19 Federal Legislation – Election Funding

In March 2020, the CARES Act allocated \$7,842,100 in election security grants to Arizona for the purpose of preventing, preparing for, and responding to coronavirus in the FY 2020 federal election cycle. After the technical reallocation of funding by the federal Election Assistance Commission (EAC), Arizona's final allocation from the CARES Act HAVA grant is \$7,874,800.

To use funds, Arizona must provide a full accounting of how funds were spent to the EAC within 20 days of each election in the 2020 federal election cycle. Funds unobligated by December 31, 2020, would revert to the Treasury. In addition, the EAC has released guidance outlining potential uses of the funds that would comply with the CARES Act requirements of "preventing, preparing for, and responding to coronavirus" in the upcoming election cycle.

EAC has indicated these funds also require a 20% state match. Under the standard HAVA guidelines, this match could be fulfilled through a direct appropriation to SOS or through eligible in-kind contributions at the state or county level.

The CARES Act funding is subject to legislative appropriation, and the funds were not appropriated during the 2020 Regular Session. However, SOS was allocated monies from the Coronavirus Relief Fund by the Executive in July 2020 (see the Coronavirus Relief Fund – SOS Allocation section below for additional information).

Coronavirus Relief Fund – SOS Allocation

In July 2020, the Executive announced it would allocate \$9.4 million from the Coronavirus Relief Fund (CRF) for additional pandemic-related costs associated with the FY 2020 election cycle. *Table 1* outlines the spending plan for these monies, which includes \$1.8 million for state program costs and another \$7.6 million for county support. No legislative appropriation is required for these monies to be spent.

Under the spending plan, \$5,000,000 of the monies would be distributed to counties to improve COVID-19 response efforts. Each county would receive a base amount of \$100,000, with remaining monies distributed based on the county's share of registered voters as of January 2,

Table 1				
FY 2021 Elections Spending Plan – CRF Allocation				
	FY 2021			
State Programs				
COVID-19 Related Expenses	\$ 349,800			
Public Education Campaign	1,500,000			
Subtotal – State Programs	\$1,849,800			
County Assistance				
PPE and Sanitation Supplies	1,000,000			
Hand Washing Stations	100,000			
County Subgrants – Tribal/Rural Communities	1,500,000			
County Subgrants – Voter Registration Totals	5,000,000			
Subtotal – County Assistance	\$7,600,000			
Total	\$9,449,800			

2020. Counties would be able to use subgrants for safety initiatives such as hiring temporary staff and poll workers, securing ballot drop boxes, and expanding curbside voting. Please see *Table 2* for a breakdown of each county's individual allocation.

Table 2		
County Subgrants Dist CRF Allocation	rib	ution –
		FY 2021
County		
Apache	\$	145,700
Cochise		166,600
Coconino		177,500
Gila		127,500
Graham		117,100
Greenlee		104,200
La Paz		109,300
Maricopa	2	,237,500
Mojave		211,000
Navajo		158,600
Pima		611,300
Pinal		295,200
Santa Cruz		123,800
Yavapai		230,400
Yuma	_	184,300
Total	\$5	,000,000

Statutory Changes

The Budget Procedures BRB makes the following statutory changes:

 As session law, notwithstand the \$1.25 per voter county reimbursement for the 2020 presidential preference election and instead establish reimbursement methodology in the General Appropriation Act.

Long-Term Budget Impacts

As part of the budget's 3-year spending plan, SOS' General Fund costs are projected to decrease by \$(4,000,000) in FY 2022 below FY 2021 and increase by \$4,000,000 in FY 2023 above FY 2022. These estimates are for the Election Services line item and are based on no scheduled statewide election during FY 2022. In FY 2023, funding for the Elections Services line item would be restored to \$4,000,000 for the 2022 statewide Primary/General election.