

Department of State - Secretary of State

	FY 2022 ACTUAL	FY 2023 ESTIMATE	FY 2024 BASELINE
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	143.1	143.1	144.1 ^{1/2/}
Personal Services	6,126,300	6,719,700	6,719,700
Employee Related Expenditures	2,239,100	2,688,000	2,688,000
Professional and Outside Services	1,345,200	1,278,500	1,278,500
Travel - In State	2,200	4,500	4,500
Travel - Out of State	23,800	36,300	36,300
Other Operating Expenditures	3,816,200	3,605,800	3,605,800
Equipment	127,400	141,800	141,800
OPERATING SUBTOTAL	13,680,200	14,474,600	14,474,600 ^{3/4/5/}
SPECIAL LINE ITEMS			
Access Voter Information Database	0	483,500	483,500 ^{6/}
Early Ballot Tracking	0	250,000	0
Election Services	0	8,000,000	0
Electronic Records Repository	0	0	70,000 ^{7/}
HAVA – December 2019 Grant - County Allocation ^{8/}	0	0	0
Presidential Preference Election	0	0	4,000,000 ^{9/}
Uniform State Laws Commission	73,800	99,000	99,000
Library Grants-in-Aid	530,000	651,400	651,400 ^{10/}
Statewide Radio Reading Service for the Blind	97,000	97,000	97,000
AGENCY TOTAL	14,381,000	24,055,500	19,875,500 ^{11/}
FUND SOURCES			
General Fund	12,907,700	22,237,100	18,057,100
<u>Other Appropriated Funds</u>			
Election Systems Improvement Fund	216,700	483,500	483,500
Records Services Fund	1,256,600	1,334,900	1,334,900
SUBTOTAL - Other Appropriated Funds	1,473,300	1,818,400	1,818,400
SUBTOTAL - Appropriated Funds	14,381,000	24,055,500	19,875,500
Other Non-Appropriated Funds	1,995,600	1,974,200	1,974,200
Federal Funds	5,997,400	6,013,000	6,013,000
TOTAL - ALL SOURCES	22,374,000	32,042,700	27,862,700

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/} Includes 1 GF FTE Position funded from Special Line Items in FY 2024.
- ^{2/} Includes 1 FTE funded from Laws 2019, Chapter 275 for the establishment of an electronic repository of state archives and records.
- ^{3/} Included in the operating lump sum appropriation of \$14,474,600 for fiscal year 2023-2024 is \$5,000 for the purchase of mementos and items for visiting officials. (General Appropriation Act footnote)
- ^{4/} Included in the operating lump sum appropriation of \$14,474,600 for fiscal year 2023-2024 is \$1,334,900 from the records services fund. This appropriation may be used for the payment of obligations incurred in fiscal year 2022-2023. (General Appropriation Act footnote)

- 5/ The secretary of state may hire one full-time equivalent position to serve as legal advisor and to represent the secretary of state, but the secretary of state may not make expenditures or incur indebtedness to employ outside or private attorneys to provide representation or services. (General Appropriation Act footnote)
- 6/ Monies in the access voter information database line item may be used only for the exclusive purpose of developing and administering the statewide database of voter registration information required by section 16-168, Arizona Revised Statutes. The secretary of state may not transfer any monies in or out of the access voter information database line item. (General Appropriation Act footnote)
- 7/ Laws 2019, Chapter 275 appropriated \$70,000 for fiscal year 2023-2024 for an electronic repository of state archives and documents.
- 8/ Notwithstanding section 35-190, Arizona Revised Statutes, the appropriation of \$5,352,200 to the secretary of state for the county allocation of help America vote act election security grant monies made by Laws 2020, chapter 58, section 104 that remains unexpended on June 30, 2023 reverts to the fund from which the monies were appropriated. (FY 2023 General Appropriation Act footnote)
- 9/ Before transferring any monies in or out of the presidential preference election line item, the secretary of state shall submit a report for review by the joint legislative budget committee. (General Appropriation Act footnote)
- 10/ 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)
- 11/ General Appropriation Act funds are appropriated as an Operating Lump Sum with Special Line Items by Agency.

Operating Budget

The Baseline includes \$14,474,600 and 143.1 FTE Positions in FY 2024 for the operating budget. These amounts consist of:

	FY 2024
General Fund	\$13,139,700
Record Services Fund	1,334,900

These amounts are unchanged from FY 2023.

Access Voter Information Database

The Baseline includes \$483,500 from the Election Systems Improvement Fund in FY 2024 for the Access Voter Information Database line item. These amounts are unchanged from FY 2023.

The state and the counties split operation and maintenance costs for the voter registration database, which is named Access Voter Information Database (AVID).

Early Ballot Tracking

The Baseline includes no funding in FY 2024 for Early Ballot Tracking. Adjustments are as follows:

Remove One-Time Funding

The Baseline includes a decrease of \$(250,000) from the General Fund in FY 2024 for one-time funding of enhancements to the voter registration database to accommodate early ballot tracking.

Laws 2022, Chapter 358 appropriated \$250,000 from the General Fund in FY 2023 for the Early Ballot Tracking line item. The legislation required counties using early ballots to provide a tracking system indicating when early ballots are received and when the ballots have been verified and sent for tabulation or if the ballot was rejected. The tracking requirement has an effective date of January 1, 2024.

Election Services

The Baseline includes no funding in FY 2024 for the Election Services line item. Adjustments are as follows:

Remove Primary/General Election Year Funding

The Baseline includes a decrease of \$(8,000,000) from the General Fund in FY 2024 to remove funding of one-time election costs. This line item will receive no funding in FY 2024, as there are no primary or general elections scheduled between July 2023 and June 2023.

Ongoing annual elections services costs are funded out of the agency's operating budget. This line item is intended only to cover variable election costs in an election year. The FY 2023 appropriation funded the Primary Election held on August 2, 2022 and the General Election on November 8, 2022. This line item received no funding in FY 2022, as there were no primary or general elections scheduled between July 2021 and June 2022. The Presidential Preference Election in FY 2024 is funded in the Presidential Preference Election (PPE) line item.

For traditional state elections (excluding the PPE or special 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 for state offices; 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.

Electronic Records Repository

The Baseline includes \$70,000 and 1 FTE Position from the General Fund in FY 2024 for the Electronic Records Repository line item. Adjustments are as follows:

Laws 2019, Chapter 275

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. The FY 2023 enacted budget's 3-year spending plan labeled this funding as ongoing.

Laws 2019, Chapter 275 also established the Electronic Records Repository Fund, which is subject to legislative appropriation. The fund may accept legislative appropriations and other monies such as fees, grants, gifts and donations. The Chapter 275 advance appropriation for FY 2024 would be allocated directly to the agency. In future years, the legislature may consider allocating the program's funding directly to SOS or depositing the annual appropriation into the fund.

Because this funding was appropriated by Laws 2019, Chapter 275, this amount will not be included in the FY 2024 General Appropriation Act.

HAVA - December 2019 Grant - County Allocation

The Baseline includes no funding from the Election Systems Improvement Fund in FY 2024 for the HAVA - December 2019 Grant - County Allocation line item. This amount is unchanged from FY 2023.

The FY 2021 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, 2023. *(Please see the Other Issues – HAVA Summary section for more information on remaining unallocated HAVA funds.)*

Presidential Preference Election

The Baseline includes \$4,000,000 from the General Fund in FY 2024 for the Presidential Preference Election (PPE) line item. Adjustments are as follows:

2024 Presidential Preference Election Funding

The Baseline includes an increase of \$4,000,000 from the General Fund in FY 2024 for the PPE currently scheduled for March 15, 2024. Under A.R.S. § 16-241, the Governor may specify a later date within 180 days of the scheduled election. This \$4,000,000 funding amount was assumed in the FY 2023 enacted budget's 3-year spending plan.

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. 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, but the Legislature chose to suspend this statute and set different reimbursement rates for the 2016 and 2020 PPEs.

For the 2020 PPE, the Legislature appropriated a total of \$7,025,000 from the General Fund based on the following reimbursement limits (not to exceed actual costs):

- Counties with an active voter registration of more than 500,000 – \$1.74 per active registered voter
- Counties with an active voter registration between 200,000-500,000 – \$1.60 per active registered voter
- Counties with an active voter registration between 100,000-200,000 – \$1.90 per active registered voter
- Counties with an active voter registration between 50,000-100,000 – \$2.00 per active registered voter
- Counties with an active voter registration between 12,000-50,000 persons – \$2.10 per registered voter
- Counties with an active voter registration of less than 12,000 persons – \$2.40 per registered voter

Based on the current number of active voters for the 2022 General Election, using the reimbursement schedule from the 2020 PPE would result in a total 2024 PPE state cost of \$7,356,100. If the state used the statutory reimbursement rate of \$1.25 per active voter, applying that to the current 2022 voter registration totals would result in an estimated total 2024 PPE state cost of \$5,179,900.

Uniform State Laws Commission

The Baseline includes \$99,000 from the General Fund in FY 2024 for costs associated with the state's participation in the Uniform State Laws Commission. This amount is unchanged from FY 2023.

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 Baseline includes \$651,400 from the General Fund in FY 2024 for Library Grants-in-Aid. This amount is unchanged from FY 2023.

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 Baseline includes \$97,000 from the General Fund in FY 2024 for Statewide Radio Reading Service for the Blind. This amount is unchanged from FY 2023.

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. Additional funds for staffing the program are included within the agency operating budget.

Other Issues

Statutory Changes

The Baseline would, as session law, notwithstanding the requirement of A.R.S. § 16-250 that counties receive a reimbursement rate of \$1.25 for each active registered voter for the Presidential Preference Election costs. This would allow the Legislature to determine the level of reimbursement for the 2024 Presidential Preference Election. *(This would continue the past practice in the 2016 and 2020 PPEs.)*

Long-Term Budget Impacts

As part of the budget's 3-year spending plan, SOS's General Fund costs would have no change in FY 2025 above FY 2024, and a net decrease of \$(4,000,000) in FY 2026 below FY 2025. These estimates are based on:

- The SOS funding level would be unchanged for FY 2025, as the \$4,000,000 of PPE election funding would be retained for the 2024 Primary/General elections, and the \$70,000 electronic records appropriation is ongoing.
- A \$(4,000,000) decrease in FY 2026 for removal of one-time funding the 2024 Primary/General Elections funding. There are no primary or general elections scheduled between July 2025 and June 2026.

Professional Employer Organizations

Statute requires Professional Employer Organizations (PEOs) to register with the Secretary of State and to pay certain registration fees, which are deposited into the Professional Employer Organization Fund. Monies in the fund are subject to legislative appropriation and are used by the Secretary of State to implement statutory requirements regarding PEOs.

Prior budget legislation has delayed the implementation of the Professional Employer Organization program until June 30, 2023, meaning the program would become active in FY 2024. In a November 2022 supplemental budget request, the Secretary of State's office requested \$300,000 from the General Fund for PEO program startup costs – \$200,000 for system development and \$100,000 for 1 FTE Position to administer the program.

Help America Vote Act (HAVA) Summary

The Help America Vote Act (HAVA) of 2002 is federal election reform legislation that imposes several requirements on the states with respect to the conduct of federal elections including election security. The associated Federal Funding is deposited into the state's Election Systems Improvement Fund along with matching monies from state, county or local governments, legislative appropriations, gifts, grants and donations. The Election Systems Improvement Fund is subject to legislative appropriation.

The amount of unallocated and unencumbered HAVA spending authority will depend on the usage of current HAVA appropriations. In their September 2022 budget request, the Secretary of State's office listed the unappropriated HAVA balance as approximately \$4,000,000 that would be available for use in FY 2024. The

use of these monies would require legislative appropriation.

SUMMARY OF FUNDS	FY 2022 Actual	FY 2023 Estimate
Address Confidentiality Program Fund (STA2557/A.R.S. § 41-169)		Non-Appropriated
Source of Revenue: An assessment of \$50 imposed on all persons convicted of domestic violence, stalking, or certain sexual offenses.		
Purpose of Fund: To administer the Address Confidentiality Program. This program allows the Secretary of State to establish an alternate public address to protect victims of domestic violence, stalking, and sexual offenses.		
Funds Expended	635,600	673,100
Year-End Fund Balance	210,500	32,800
County Contributions to the Voter Registration System Fund (STA2367/A.R.S. § 16-168.01)		Non-Appropriated
Source of Revenue: Receives monies transferred from counties to the Secretary of State.		
Purpose of Fund: To develop and administer the statewide database of voter registration information.		
Funds Expended	103,700	63,600
Year-End Fund Balance	127,300	63,700
Data Processing Acquisition Fund (STA2265/A.R.S. § 18-441)		Non-Appropriated
Source of Revenue: A special recording fee on Uniform Commercial Code and other filings.		
Purpose of Fund: To defray the cost of improving data processing within the Office of the Secretary of State. Any uncommitted monies in excess of \$250,000 at the close of the calendar year revert to the General Fund.		
Funds Expended	182,800	195,000
Year-End Fund Balance	133,300	66,900
Election Systems Improvement Fund (STA2357/A.R.S. § 41-129)		Appropriated
Source of Revenue: Monies received from the United States government, matching monies from state, county or local governments, legislative appropriations, gifts, grants, and donations.		
Purpose of Fund: To implement the provisions of the Help America Vote Act (HAVA) (P.L. 107-252). HAVA is federal election reform legislation that imposes several requirements on the states with respect to the conduct of federal elections, implementation of a statewide voter registration database, and implementation of a voting system that meets federal standards.		
Funds Expended	216,700	483,500
Year-End Fund Balance	7,460,800	6,364,000
Election Training Fund (STA2521/A.R.S. § 16-407)		Non-Appropriated
Source of Revenue: Receives money from cities and towns whose employees take election training courses.		
Purpose of Fund: To provide election training to officials from cities and towns.		
Funds Expended	4,200	5,500
Year-End Fund Balance	9,200	3,700
Electronic Records Repository Fund (STA9999/A.R.S. § 41-151.26)		Appropriated
Source of Revenue: Monies received from legislative appropriations, gifts, nonfederal grants, fees, and donations.		
Purpose of Fund: To fund operating expenses for the state library's electronic records repository.		
Funds Expended	0	0
Year-End Fund Balance	0	0
Federal Grants (STA2000/A.R.S. § 41-151.06)		Federal Funds
Source of Revenue: Federal grants awarded to the state for library purposes.		
Purpose of Fund: Prescribed by the federal grantor for statewide library purposes.		
Funds Expended	5,997,400	6,013,000
Year-End Fund Balance	573,000	1,060,000

SUMMARY OF FUNDS	FY 2022 Actual	FY 2023 Estimate
IGA and ISA Fund (STA2500/A.R.S. § 35-142)		Non-Appropriated
Source of Revenue: Intergovernmental Agreements and Interagency Service Agreements with other state agencies.		
Purpose of Fund: To record and manage Intergovernmental Agreements and Interagency Service Agreements.		
Funds Expended	540,400	622,100
Year-End Fund Balance	63,000	15,900
Museum Gift Shop Revolving Fund (STA4008/A.R.S. § 41-151.24)		Non-Appropriated
Source of Revenue: Proceeds from the sale of merchandise at the Capitol Museum Gift Shop.		
Purpose of Fund: To provide for state-related inventory to be sold at the Capitol Museum Gift Shop. Laws 2022, Chapter 211 transferred the administration of this fund to Legislative Council as of September 24, 2022.		
Funds Expended	22,000	0
Year-End Fund Balance	35,700	0
Notary Bond Fund (STA2387/A.R.S. § 41-314)		Non-Appropriated
Source of Revenue: The fund receives a portion of the fee collected from the processing of notary bonds.		
Purpose of Fund: To defray the cost associated with the processing and administration of notary bonds.		
Funds Expended	149,900	138,000
Year-End Fund Balance	55,300	19,100
Professional Employer Organization Fund (STA2520/A.R.S. § 23-576)		Appropriated
Source of Revenue: Professional Employer Organization (PEO) registration and renewal fees.		
Purpose of Fund: To pay the costs of administering PEO registration and investigating any allegations of malfeasance. The FY 2014 Government Budget Reconciliation Bill delayed the implementation of the PEO registration program until the end of FY 2023.		
Funds Expended	0	0
Year-End Fund Balance	0	0
Records Services Fund (STA2431/A.R.S. § 41-151.12)		Appropriated
Source of Revenue: Fees collected from state agencies, political subdivisions, and other governmental units for records storage services.		
Purpose of Fund: To help defray costs of preserving and managing the state of Arizona's public records.		
Funds Expended	1,256,600	1,334,900
Year-End Fund Balance	662,500	209,600
Standing Political Committee Administrative Fund (STA2426/A.R.S. § 41-128)		Non-Appropriated
Source of Revenue: Filing fees paid by standing political committees.		
Purpose of Fund: To pay the costs of administering and enforcing the campaign finance laws relating to standing political committees.		
Funds Expended	0	0
Year-End Fund Balance	79,000	79,000
State Library Fund (STA2115/A.R.S. § 41-151.06)		Non-Appropriated
Source of Revenue: Private donations, private grants and monies collected through charges for reproduction of materials in the Research Division.		
Purpose of Fund: To improve statewide library service.		
Funds Expended	357,000	276,900
Year-End Fund Balance	504,600	229,800