

## Secretary of State (SOS)

	2013-15 Actual	2015-17 Legislatively Approved*	2017-19 Current Service Level	2017-19 Agency Request
General Fund	8,597,817	10,286,479	10,082,165	12,695,247
Other Funds	46,081,409	56,315,860	57,686,035	60,923,652
Federal Funds	2,832,662	6,278,282	5,194,107	5,194,107
<b>Total Funds</b>	<b>\$57,511,888</b>	<b>\$72,880,621</b>	<b>\$72,962,307</b>	<b>\$78,813,006</b>
Positions	200	213	209	227
FTE	198.61	210.96	208.89	226.89

\* Includes Emergency Board and administrative actions through December 2016.

### Program Description

The Office of the Secretary of State is one of three constitutional offices established at statehood. The Secretary is the auditor of public accounts, the chief elections officer, and the manager of the state's records, a role that includes preserving official acts of the Legislative Assembly and the Executive Branch. The Secretary of State serves with the Governor and State Treasurer on the State Land Board which manages state-owned lands.

The agency's major divisions include the: **1) Elections Division**, which administers state and federal elections laws, provides training to county and city election officials, political party representatives, and candidates; publishes statewide voter's pamphlets; and administers the filing and verification of initiative, referendum, and recall petitions; **2) Audits Division**, which carries out the Secretary's constitutional duties as auditor of public accounts to assure that public funds are properly accounted for and spent in accordance with legal requirements; the Division performs, or contracts for, financial and compliance audits and performance audits of state agencies; **3) Archives Division**, which stores public records and protects and provides public access to Oregon's documentary heritage; the Division provides records management advice and assistance to state and local agencies and publishes the state's administrative rules; and **4) Corporation Division**, which is responsible for three major programs: Business Registry – the filing of business names, Uniform Commercial Code (UCC) – the filing of secured transactions, and Notary Public – commissioning and regulating notaries. The agency also has an Administrative Services Division that provides central administrative support services and includes the Executive Office of the Secretary.

Additional details on the agency and its budget are available in the Legislative Fiscal Office's 2015-17 Legislatively Adopted Budget Detailed Analysis, which can be accessed at: <https://www.oregonlegislature.gov/lfo/Documents/2015-17%20LAB%20Detailed%20Analysis.pdf> .

## CSL Summary and Issues

- \$6.2 million of excess corporate registry fee revenues are being transferred to the General Fund this biennium. This transfer opportunity will not recur in the 2017-19 biennium. LFO projects a corporate registry fee ending balance of \$1.5 million at CSL, based on OEA revenue forecasts (the LFO projection is about \$1.2 million above the agency projection), equal to approximately 1.8 months of operating costs. CSL expenditure levels are now consuming all of the Corporate Division revenues available to the agency.
- \$846,000 General Fund is added to the 2017-19 biennium current service level, to reverse a one-time fund shift to Other Funds that was implemented to help balance the state budget in this biennium's budget. A similar fund shift away from General Fund is not possible in 2017-19 without putting the agency's ending fund balance at risk.
- Approximately \$831,000 General Fund would be needed to sustain Motor Voter payments to counties at the rate approved for 2015-17 (when the funding set aside equaled \$768,000).
- Federal Funds from the Help America Vote Act (HAVA) are being depleted. General Fund does not need to be added in 2017-19 to continue HAVA-funded programs at current program levels. Unless Federal Funds expenditures are reduced or shifted to General Fund, however, an additional \$5.1 million of General Fund will be needed beginning in 2019-21.
- The Archives and Records Management assessment (paid by state agencies) is increased in the current service level by \$2.2 million (or 53%) over the prior-biennium level. The increase is primarily the result of correcting an error that was made when funding for the Division was changed from General Fund to Other Funds in 2013. The increase will fund central administration SOS agency functions. This is of benefit overall to the state General Fund budget, because the assessment revenue will offset a portion of the General Fund and corporate registration fee revenue needed to support these central agency functions.
- Beginning in the 2015-17 biennium, Federal Funds are no longer eligible to pay Audits Division assessments (paid by state agencies) that finance performance audits. As a result, agencies funded by Federal Funds now require another fund source (usually General Fund) to pay these assessments. State agencies are not typically billed for audits, instead they are assessed a charge based on employment count and financial risk factors. A single assessment is charged to these agencies for both financial and performance (including Information Technology) audits. SOS apportions 39.42% of Audits Division costs overall to performance audits; therefore, each agency is required to fund at least 39.42% of its Audits Division assessment from non-Federal Funds sources, regardless of the actual number of performance audits of the agency.
- The current service level calculation includes one error. The current service level is overstated by \$347,900 General Fund, because the calculation did not properly phase out General Fund support that was provided in the 2016 session for a new Election Night Reporting system on a one-time basis. LFO will report a \$9,734,265 General Fund current service level in the Co-Chairs' budget.

## Policy Issues

The Secretary of State's amended budget request includes a 26.2% General Fund increase, and an 9.4% Other Funds increase (primarily from corporate registry fees, which are otherwise available for transfer to the General Fund), over the 2015-17 biennium budget. The requested budget would require a statutory change in increase the portion of corporate registration fee retained by the agency.

The 2017-19 biennium agency request budget would increase the portion of the corporate registration fee retained by the agency by \$5 (or by 25%), from \$20 to \$25 per filing. This would require a statutory change (HB 2348), and would increase the agency's Other Funds revenues by about \$3.9 million per biennium. The action would decrease General Fund revenue by the same amount.

The major policy option package requests in the requested budget include:

- **Administrative Services Division Staffing (\$1.3 million, including \$0.7 million GF and \$0.6 million OF).** Request includes four Information Systems positions (two new positions, plus two existing limited-duration positions renewed as permanent), to supplement staffing for Elections and Corporation Division programs. The request also includes establishment of a Legislative Liaison position, and a cashier position.
- **Motor Voter Payments to Counties (\$0.8 million GF).** The funds would continue support to counties for costs associated with the expansion of voter registration rolls generated by adoption of the Motor Voter program in 2015.
- **Oregon Central Voter Registry (\$0.4 million GF).** Funding would support an ultimate \$3.2 million cost of maintaining the system after Federal HAVA funds are exhausted. Federal HAVA monies will run out in 2019-21, requiring ongoing program costs to be shifted to the General Fund. Budget stability would be promoted if a portion of the ultimate fund shift could be phased-in beginning in 2017-19.
- **Integration of Elections Division OCVR and ORESTAR systems (\$0.3 million GF).** The funding would allow the agency to expand the integration of data in its two principal Elections Division information systems, the Oregon Central Voter Registration system, and the Oregon Election System for Tracking and Reporting system.
- **Additional Elections Division Staffing [1.00 FTE] (\$0.2 million GF).** The funding would support an additional Compliance Specialist 2 position to address Division workloads.
- **Election Night Reporting (\$83,000 GF).** The funding supports ongoing subscription costs for the new Election Night Reporting system that was first used in the 2016 General Election.

- **Ongoing Motor Voter Expenses (\$290,000 GF).** The funds would support Elections Division costs associated with the Motor Voter program, including notifications to new electors of their registration options.
- **Auditor Positions [2.00 FTE] (\$0.4 million OF).** Funds an additional team of two auditor positions to expand IT security audits.
- **Registered Agency Licensing (\$0.6 million OF).** Establishes four positions to implement a licensing program for commercial registered agents. The new program would be established by HB 2354 and be supported by newly-established fees.
- **Corporation Transparency (\$1.1 million OF).** Adds six position for implementation of HB 2353. That bill requires corporations and limited liability companies to provide certain documentation, including declarations on whether corporation or limited liability company has previously filed or will file tax return.
- **Corporation Compliance Investigations (\$0.2 million OF).** Establishes one position to implement corporate compliance investigations that would be authorized by HB 2352.
- **Oregon Blue Book (\$50,000 GF).** Provides General Fund support to secure stable funding for publication of the Oregon Blue Book.
- **Archives Compact Shelving (\$500,000 OF).** Fund the third biennium of a \$2 million project to replace shelving in the Archives Building with compact shelving.
- **OregonBuys (\$250,000 OF).** Funds acquisition of an improved procurement system.

#### Co-Chair Budget Framework Discussion

The Joint Ways and Means Committee Co-Chairs' 2017-19 Existing Resources Budget Framework includes a 5.4% reduction from current service level in operating expenditures for agencies in the Administration Program Area of government. The total amount of General Fund expenditures in the SOS current service level budget is \$10.4 million. A 5.4% reduction applied to the Secretary of State budget would therefore be equal to approximately \$545,000.

The state, however, budgets corporate registration fee revenue as a General Fund resource, because these revenues are transferred to the General Fund when the not spent by the Secretary of State for operation costs. The combined total of General Fund and corporate registration fee revenue expenditures, in the current service level, is \$25 million. A 5.4% reduction applied to that amount would total approximately \$1.35 million.