

ANALYSIS

Item 1: Secretary of State Programmatic and Operational Needs

Analyst: Paul Siebert

Request: Increase Other Funds expenditure limitation by \$1,464,248 and Federal Funds expenditure limitation by \$4,900,000 to meet agency programmatic and operational needs.

Analysis: The Secretary of State (SOS) is requesting four budget adjustments to accommodate unplanned expenditures and meet administrative operational needs. Budget adjustments are needed in the Corporations Division, the Administrative Services Division, and the Elections Division. These increases total \$1,464,248 Other Funds and a net Federal Funds increase of \$4,885,752.

The Corporations Division is requesting a \$500,000 Other Funds expenditure limitation increase to accommodate increases in credit card processing fees. Since the beginning of the COVID-19 public health emergency, the Division has experienced a 26.6% increase in the number of transactions being paid with bank cards. The associated bank card transaction and service fees equate to an additional unbudgeted operational cost of over \$20,000 per month.

The Administrative Services Division is requesting two budget adjustments. The first is a \$550,000 Other Funds expenditure limitation increase to replace the HVAC units servicing the agency's server/data storage room; the units are over 30 years old and well past the life-cycle replacement period. The second request is to shift the funding for two information technology positions from Help America Vote Act (HAVA) federal funding to Other Funds from agency administrative charges. Oregon stopped receiving regular HAVA payments a few years ago with the remaining funds committed by the agency to the one-time costs of replacing the Oregon Centralized Voter Registration system. Another reason for the change is the duties of the two positions are limited due to HAVA funding restrictions. Moving the positions to Other Funds will allow them to be used in other areas like long-term information technology strategies and redundancy improvements. This shift would result in a \$414,248 Other Funds increase and an equivalent \$414,248 Federal Funds decrease.

The Elections Division is requesting a \$5,300,000 Federal Funds expenditure limitation increase for the Oregon Centralized Voter Registration system replacement project, which is part of a modernization effort involving the state's centralized voter registration and elections management software. After reviewing requests for proposals, and in consultation with an advisory committee that included local elections representatives, the SOS selected KNOWiNK to complete the project, a vendor that recently completed similar projects in Arizona and Washington State. The requested amount should pay for the remaining 2021-23 biennial costs. The total project budget including Quality Assurance, Implementation, Monthly Support, Licensing & Hosting, plus a Contingency, equals \$10,770,000.

Recommendation: The Legislative Fiscal Office recommends that the Joint Interim Committee on Ways and Means recommend including an increase of \$1,464,248 in the Other Funds expenditure limitation and a net increase of \$4,885,752 in the Federal Funds expenditure limitation for the Secretary of State in a budget reconciliation bill during the 2022 legislative session to meet agency programmatic and operational needs.

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Request: Increase Other Funds expenditure limitation by \$1,464,248 and Federal Funds expenditure limitation by \$4.9 million for emergency budget needs in the Corporation Division, Elections Division, and Information Services Division.

Recommendation: The Secretary of State is not under Executive Branch budgetary authority.

Discussion: The Secretary of State (SoS) has requested four budget adjustments to be considered during the February 2022 Legislative Session for three separate divisions within the Agency.

The Corporation Division is experiencing a growth in online filings, which is leading to an increase in credit card transaction fees. The Division reports average monthly credit card transaction fees have increased \$20,000; in March 2020 the average credit card transaction fees were \$75,000 per month and have increased to \$95,000 per month for the first four months of this biennium. SoS is requesting an increase of \$500,000 Other Funds expenditure limitation to address the increased credit card transaction costs.

Within the Administrative Service Division budget structure, the Information Services Division maintains the SoS Public Service Building data storage/server room. The Division reports the HVAC and electrical systems require needed updates. SoS is requesting \$550,000 Other Funds expenditure limitation to replace the end-of-life computer room air conditioning units.

Also within the Information Services Division, funding from the federal Help America Vote Act (HAVA) is used to support two IT positions. In order to preserve HAVA funding, SoS is requesting to shift \$414,248 of position funding from Federal Funds to Other Funds.

Lastly, the Elections Division began work on a technology modernization of the centralized voter registration and election management systems. The effort is funded through federal HAVA funding. The overall budget for the project is approximately \$10 million and SoS is requesting \$5.3 million Federal Funds expenditure limitation, which should be sufficient to cover costs for the 2021-23 biennium.

Legal Reference: Increase Other Funds expenditure limitation established by chapter 505, section 2(1), Oregon Laws 2021, for the Secretary of State Administrative Services Division by \$964,248 for the 2021-23 biennium.

Increase Other Funds expenditure limitation established by chapter 505, section 2(5), Oregon Laws 2021, for the Secretary of State Corporation Division by \$500,000 for the 2021-23 biennium.

Increase Federal Funds expenditure limitation established by chapter 505, section 3, Oregon Laws 2021, for the Secretary of State by \$4,885,752 for the 2021-23 biennium.

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SECRETARY OF STATE

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DEPUTY SECRETARY OF STATE

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December 6, 2021

The Honorable Senator Elizabeth Steiner Hayward, Co-Chair
The Honorable Representative Dan Rayfield, Co-Chair
Interim Joint Committee on Ways and Means
900 Court Street NE
H-178 State Capitol
Salem, OR 97301

Dear Co-Chairs:

The Secretary of State (SOS) staff have been working closely with the Legislative Fiscal Office regarding our budget request addressing emergency budget needs to ensure the duties of the office can be carried out on behalf of Oregonians. The below requests address the most pressing budgetary actions requested for the Corporation Division, Elections Division, and the Information Services Division to address in the short legislative session.

Nature of the Emergencies/Requests

The SoS Public Service Building data storage/server room, which houses elections, state audits, and business data has (2) 5-ton computer room air conditioning (CRAC) units, which are approximately 30 years old and are insufficient to meet current cooling demands. The server room requires updates to the HVAC and electrical systems to ensure reliable, resilient power and environmental controls. Our agency is also in the process of developing a strategy and build competency to address disaster recovery, cloud architecture, and continuity of operations for this critical data.

The ongoing Oregon Votes project in the Elections Division is projected to utilize all remaining Help America Vote Act (HAVA) funds. In order to conserve HAVA funds through the completion of the project, and maintain funding for our vital information systems positions, the funding for these positions will need to be shifted from Federal Funds to Other Funds.

With the COVID pandemic closing public offices, the Corporation Division has seen dramatic growth in online filings leading to a corresponding increase in credit card transaction fees. Before the pandemic, the division experienced average credit card transaction fees of \$75,000 monthly; since March of 2020, this average has climbed 26.6% to \$95,000 per month during the first four months of this biennium. This increase of \$20,000 per month in credit card fees has created a significant budget shortfall.

In the summer of 2021, the Elections Division executed a contract and began work on a major technology modernization overhaul of the state's centralized voter registration and election management systems. The Oregon Votes project initiation wasn't completed in time to request an associated federal expenditure limitation during the AY23 budget process. As a result, a request for an increase in spending of available HAVA funds is needed to cover project expenses during the 2022-2023 calendar years. The overall budget for the project is approximately \$10m and to ensure contract payments, the agency requests a limitation increase totaling \$5.3m to its adopted AY23 budget.

Agency Action

Upgrade air conditioning and Uninterruptible Power Supply for data storage/server room and convert two existing HAVA funded Information Technology positions to Other Funds.

The Elections Division and Secretary of State executive staff briefed legislators and the Legislative Fiscal Office during the fall of 2021 providing an update and project status. Risk assessments from the project quality assurance vendor have kept stakeholders apprised of scope, budget, and project development progress. There is no current risk associated with a mid-biennium expenditure limitation increase to pay forecasted costs.

Action Requested

Increase Information Services Division Other Funds in Professional Services by \$550,000 to design and implement a complete replacement of the (2) end-of-life 5-ton CRAC units with fully redundant, 10-ton CRAC units. \$50,000 will be used to design the technical specifications, \$500,000 will be used to demolish the existing CRAC units and to implement the new 10-ton CRAC units.

Increase ISD Other Funds limitation in Personal Services by \$414,248 to transition the existing HAVA-funded ISS-8 positions to address infrastructure architecture, cybersecurity, and redundancy improvements and long-term strategy and decrease Elections FF limitation by (\$414,248).

Position #	Title	Type	OF	FF	TF
1803020	Systems Architect	PF	\$211,354	(\$211,354)	-
1803021	Senior Systems Engineer	PF	\$202,894	(\$202,894)	-

Request an increase to other funds limitation of \$500,000 for the Corporation Division to mitigate the increased credit card fees.

Increase federal expenditure limitation by \$5.3m for the Elections Division.

Legislation Affected

Oregon Law 2021, Chapter 505, Section 2(1) increase by \$964,248

Oregon Law 2021, Chapter 505, Section 2(5) increase by \$500,000

Oregon Law 2021, Chapter 505, Section 3 increase by \$4,900,000

Sincerely,



Shemia Fagan
Secretary of State