

Secretary of State

| | 2015-17 Actual | 2017-19 Legislatively Adopted | 2017-19 Legislatively Approved * | 2019-21 Current Service Level | 2019-21 Agency Request |
|--------------------|-------------------|-------------------------------------|----------------------------------------|-------------------------------------|---------------------------|
| General Fund | 10,285,700 | 10,426,561 | 14,357,322 | 11,261,921 | 16,885,739 |
| Other Funds | 51,509,990 | 56,998,482 | 58,170,519 | 62,088,686 | 67,976,783 |
| Federal Funds | 1,845,372 | 4,721,387 | 8,132,619 | 4,960,337 | 5,416,887 |
| Total Funds | 63,641,062 | 72,146,430 | 80,660,460 | 78,310,944 | 90,279,409 |
| Positions | 210 | 213 | 217 | 212 | 234 |
| FTE | 208.46 | 212.77 | 215.03 | 211.64 | 233.14 |

* Includes Emergency Board and administrative actions through December 2018.

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, Business Services, Human Resources, and Information Systems.

Additional details on the agency and its budget are available in the Legislative Fiscal Office's 2017-19 Legislatively Adopted Budget Detailed Analysis, which can be accessed at: <https://www.oregonlegislature.gov/lfo/Documents/2017-19%20LAB%20Detailed%20Analysis.pdf>

CSL Summary and Issues

- General Fund in the amount of \$2,369,885 is reduced from the 2019-21 current service level in the Elections Division for one-time costs associated with the Oregon Motor Voter county payments and for reimbursement of Division and county costs for the January 2018 special election.
- Continuation of the Motor Voter program at the agreed upon levels is projected to cost approximately \$879,000 in the 2019-21 biennium.
- The Secretary of State's proposed budget is not subject to Governor's Office review or oversight. This means that what is included in the printed Governor's budget is basically just a placeholder. For the 2019-21 biennium, the amount included is generally the calculated current service level with some Department of Administrative Services adjustments made during the Governor's process for state government service charges and other assessments. The amounts included in the printed Governor's budget for the Secretary of State are \$11.1 million General Fund, \$67.5 million Other Funds, and \$5.4 million Federal Funds for a total budget of \$84.1 million.

Policy Issues

The SOS requested budget for the 2019-21 biennium is \$16,885,739 General Fund, \$67,976,783 Other Funds, \$5,416,887 Federal Funds, and 234 positions (233.14 FTE). The total request budget of \$90.3 million is a 12% increase over the 2017-19 legislatively approved budget and a 15.3% increase over the current service level. The General Fund increase between the 2019-21 agency request budget and the 2019-21 current service level is a 49.9% increase.

The request budget projects a transfer of \$70.9 million from business registration fees to the General Fund. Total Other Fund resources from business registration fees are projected to total \$92.3 million in 2019-21. Fees collected by the Corporation Division were increased by Ballot Measure 67 in 2010; the Division keeps the first \$20 of the business registry fee it collects as well as revenues from notary public commissions and Uniform Commercial Code filing fees. In addition, prior to Measure 67, the Division was directed to transfer all fee revenues to the General Fund after funding its adopted budget and retaining a 2-month ending balance. Measure 67 allowed the agency to keep the entire ending balance unless the Legislature specifically transfers additional amounts to the General Fund.

The 2019-21 requested budgets for the agency's major divisions and the most significant policy option packages include the following:

- **Administrative Services Division- \$3.5 million General Fund; \$20.2 million Other Funds; 67 positions (66.89 FTE); 6.4% increase over CSL**
 - Position true up reclasses 10 positions upward including 4 managers
 - Staffing needs adds continues one existing limited duration position as permanent and adds one new position
 - Adds an internal auditor position at a cost of \$242,000 Other Funds

- Services and supplies increase adds \$26,000 General Fund and \$245,000 Other Funds for executive staff travel, professional dues and services
- Adds \$272,000 Other Funds to migrate remaining portions of business information systems to the Cloud
- Adds \$80,700 Other Funds to maintain 4 new security systems implemented in the 2017-19 biennium
- **Elections Division - \$12.2 million General Fund; \$1.2 million Other Funds; \$5.4 million Federal Funds; 25 positions (25.00 FTE); 34.9% increase over CSL**
 - Adds 3 permanent full-time staff at cost of \$625,000 General Fund
 - Continues Motor Voter payments to counties at cost of \$879,248 General Fund
 - Adds prepaid postage for all elections at cost of \$2,731,144 General Fund (*the Governor's budget includes a \$2.7 million special purpose appropriation to the Emergency Board for this purpose*)
 - Adds \$140,000 General Fund for voter choices and party equity to allow for minor parties to have primary elections with \$120,000 of the amount as pass-through to counties
 - Adds \$140,000 General Fund for a nonaffiliated primary election with \$120,000 of the amount as pass-through to counties
- **Audits Division - \$24.6 million Other Funds; 77 positions (77.00 FTE); 5.9% increase over CSL**
 - Reclasses upward 4 entry auditor positions at a cost of \$58,604 Other Funds
 - Adds 2 State Auditor 4 positions for Information Technology audits at a cost of \$542,044 Other Funds
 - Adds a 3 auditor Medicaid unit (2 auditors and a manager) at a cost of \$779,797 Other Funds
- **Archives Division - \$1.2 million General Fund; \$9.4 million Other Funds; \$0.04 million Federal Funds; 22 positions (21.75 FTE); 30.1% increase over CSL**
 - Reclasses upward 4 positions at a cost of \$4,148 Other Funds
 - Adds \$750,000 Other Funds for phase 4 of compact shelving project and \$500,000 Other Funds expenditure limitation for phase 3 of the project (revenue already collected)
 - Adds \$1,200,000 General Fund for a backup generator and related equipment for the Archives Building
- **Corporation Division - \$12.6 million Other Funds; 43 positions (42.50 FTE); 17.4% increase over CSL**
 - Reclasses upward 3 positions at cost of \$33,065 Other Funds
 - Adds 9 new positions for increased workload at a cost of \$1,326,697 Other Funds
 - Adds expenditure limitation of \$500,000 Other Funds for merchant fees from credit card use for paying business registry fees

Other Significant Issues and Background

The Archives and Audits Divisions are largely financed by assessments to state agencies for specified services. These assessments are included in the 2019-21 Price List of Goods and Services. As with other state agency assessments such as the Department of Administrative Services assessment for State Government Service Charges and the Department of Justice Attorney General rate, these assessments are based on the Secretary of State's agency request budget and may see adjustments based on the actual legislatively adopted budget.

- Archives Division - Security Copy Depository

- This is a microfilm storage charge. The charge covers rent for the storage area in the Archives building and the cost of the 1.00 FTE in the Audits Division responsible for the program. For the 2019-21 biennium, the storage rate is \$1.49 per reel of microfilm, an increase of \$0.06 over the 2017-19 biennium. There is a minimum charge for customers storing a small number of reels; \$10.000 for agencies storing 1 to 6 reels and \$20.00 for 7 to 13 reels. The charge is based on storage as of January 2018. The total amount collected in the 2019-21 price list is \$276,821.
- Archives Division - Records Center
 - This is a charge for storage and retrieval for inactive, non-permanent state records. The 2019-21 projected budget for the Records Center includes rent, utilities, office supplies, janitorial services, and 4.50 FTE performing records maintenance tasks. The charge is \$24.013 per cubic foot calculated on the basis of projected expenditures divided by estimated occupancy rate. The charge is based on storage as of January 2018. The total amount collected in the 2019-21 price list is \$2,107,541.
- Archives Division - Administrative Rules
 - This is a charge for the compilation and publishing of Oregon's Administrative Rules. The 2019-21 projected budget includes rent, publication costs, and 4.00 FTE performing compilation and publishing of rules. The assessment is based on the actual number of rule actions filed in the 2015-17 biennium. The charge is \$73.57 per rule filing and \$28.89 per page filing and is based on activity as of January 2018. The total amount collected in the 2019-21 price list is \$1,730,630.
- Archives Division - Archives and Records Management
 - This is a charge for the storage and management of the permanently valuable records of the Oregon government. The assessment is based on 2017-19 agency FTE. The formula used to determine the per FTE rate is based on the current number of Archives Division Other Fund positions plus operating costs divided by the total number of agency FTE. The total amount collected in the 2019-21 price list is \$6,992,457.
- Archives Division - Compact Shelving
 - This is a special assessment first authorized in 2013 for the transition from traditional shelving to compact shelving. The 2019-21 biennium assessment is for the fourth of four planned phases and is estimated at a need for \$750,000. The assessment is calculated by dividing \$750,000 by agency 2017-19 approved FTE. The total amount collected in the 2019-21 price list is \$750,000.
- Audits Division - Audit Services
 - This is an assessment for the Division's audit costs based on each agency's pro rata share of four risk factors - expenditures, full-time equivalent positions, revenues, and cash. Trust fund agencies and agencies with constitutionally dedicated funds are billed directly based on time spent in the agencies to conduct the audit. The risk factors for the 2019-21 biennium were based on data in the Comprehensive Annual Financial Report for the fiscal year ended June 30, 2017. The total amount collected in the 2019-21 price list is \$29,060,552.
 - Beginning in the 2015-17 biennium, Federal Funds are no longer eligible to pay Audit Division assessments for costs associated with performance audits. Agencies with Federal Fund sources are now required to pay with some other funding source (often General Fund). Since most agencies are not direct billed for audits, the charge levied in the price list is a combined amount for

financial and performance audits. The Secretary of State apportions 39.42% of Audit Division costs to performance audits, meaning that each agency needs to pay at least this percentage of its Audits Division assessment from non-Federal Fund sources regardless of the actual number of performance audits conducted on the agency in the biennium.