

Department of State - Secretary of State

| | FY 2024 ACTUAL | FY 2025 ESTIMATE | FY 2026 BASELINE |
|---|-------------------|---------------------|------------------------------------|
| OPERATING BUDGET | | | |
| <i>Full Time Equivalent Positions</i> | 144.1 | 146.1 | 144.1 |
| Personal Services | 7,133,600 | 6,877,100 | 6,877,100 |
| Employee Related Expenditures | 2,546,500 | 2,838,800 | 2,838,800 |
| Professional and Outside Services | 2,242,300 | 1,422,600 | 1,422,600 |
| Travel - In State | 190,800 | 5,500 | 5,500 |
| Travel - Out of State | 55,300 | 36,000 | 36,000 |
| Other Operating Expenditures | 4,002,500 | 4,233,900 | 3,233,900 |
| Equipment | 282,200 | 133,300 | 133,300 |
| OPERATING SUBTOTAL | 16,453,200 | 15,547,200 | 14,547,200 ^{1/-5/} |
| SPECIAL LINE ITEMS | | | |
| Access Voter Information Database | 483,500 | 483,500 | 483,500 ^{6/} |
| Election Services | 100,000 | 7,900,000 | 0 |
| Electronic Records Repository | 70,000 | 520,000 | 70,000 |
| Help America Vote Act Projects | 503,400 | 0 | 0 |
| Library Grants-in-Aid | 530,000 | 651,400 | 651,400 ^{7/} |
| Presidential Preference Election | 5,298,800 | 0 | 0 |
| Statewide Radio Reading Service for the Blind | 97,000 | 97,000 | 97,000 |
| Uniform State Laws Commission | 81,100 | 99,000 | 99,000 |
| AGENCY TOTAL | 23,617,000 | 25,298,100 | 15,948,100 ^{8/} |
| FUND SOURCES | | | |
| General Fund | 21,232,500 | 22,993,900 | 14,093,900 |
| <u>Other Appropriated Funds</u> | | | |
| Election Systems Improvement Fund | 986,900 | 483,500 | 483,500 |
| Records Services Fund | 1,397,600 | 1,820,700 | 1,370,700 |
| SUBTOTAL - Other Appropriated Funds | 2,384,500 | 2,304,200 | 1,854,200 |
| SUBTOTAL - Appropriated Funds | 23,617,000 | 25,298,100 | 15,948,100 |
| Other Non-Appropriated Funds | 2,165,400 | 1,516,400 | 1,516,400 |
| Federal Funds | 5,542,600 | 5,448,500 | 5,448,500 |
| TOTAL - ALL SOURCES | 31,325,000 | 32,263,000 | 22,913,000 |

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 \$14,547,200 for fiscal year 2025-2026 is \$5,000 for the purchase of mementos and items for visiting officials. (General Appropriations Act footnote)
- 2/ The operating lump sum appropriation includes \$100,000 for additional support for the talking book library. (General Appropriations Act footnote)
- 3/ The operating lump sum appropriation includes \$250,000 for additional support for the address confidentiality program. (General Appropriations Act footnote)
- 4/ The operating lump sum appropriation includes \$100,000 for additional support for secretary of state legal expenses. The secretary of state may spend these monies for legal services from the attorney general, to hire one FTE position to serve as legal advisor to the secretary of state or for legal expenses for conflict counsel. The secretary of state may make expenditures or incur indebtedness to employ outside or private attorneys if all of the following are true:

1. The secretary of state is named as a defendant.
2. The secretary of state believes a conflict exists that prevents the attorney general from representing the secretary of state.
3. The secretary of state either remains a nominal party or is defending the constitutionality of a law or referendum enacted by the legislature. (General Appropriations Act footnote.)

5/ Included in the operating lump sum appropriation of \$14,547,200 for fiscal year 2025-2026 is \$1,370,700 from the records services fund. This appropriation may be used for the payment of obligations incurred in fiscal year 2024-2025. (General Appropriations 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 Appropriations Act footnote)

7/ This appropriation is a continuing appropriation and is exempt from the provisions of A.R.S. § 35-190, relating to lapsing of appropriations. (General Appropriations Act footnote)

8/ General Appropriations Act funds are appropriated as an Operating Lump Sum with Special Line Items by Agency.

Operating Budget

The Baseline includes \$14,547,200 and 143.1 FTE Positions in FY 2026 for the operating budget. These amounts consist of:

| | FY 2026 |
|----------------------|----------------|
| General Fund | \$13,176,500 |
| Record Services Fund | 1,370,700 |

Adjustments are as follows:

Remove One-Time Operating Funding

The Baseline includes a decrease of \$(1,000,000) from the General Fund in FY 2026 to remove funding for one-time operating expenses.

The Baseline continues FY 2025 budget footnotes specifying that the Secretary of State allocate the following amounts from the operating lump sum in FY 2026 for the following items:

- \$100,000 for the operations of the Arizona Talking Book Library.
- \$250,000 of additional support for the Address Confidentiality Program (ACP). ACP provides a substitute address and confidential mail forwarding services to victims of domestic violence, sexual offenses, and stalking. This funding was added in FY 2024 to address decreased federal funding.
- \$100,000 for legal services funding specifying that the SOS may spend these monies for legal services from the Attorney General, to hire one FTE position to serve as legal advisor to the SOS or for legal expenses for conflict counsel. The SOS may make expenditures or incur indebtedness to employ outside or private attorneys if all the following occur: 1) SOS is named as a defendant, 2) SOS believes a conflict prevents the Attorney General from representing the SOS; and

3) SOS is either a nominal party or defending the constitutionality of a law or referendum enacted by the legislature.

The FY 2024 operating budget included \$2,330,000 for one-time administrative funding. This appropriation is exempt from lapsing. Of the \$2,330,000 million, \$330,000 was allocated for the SOS Business Services division.

Access Voter Information Database

The Baseline includes \$483,500 from the Election Systems Improvement Fund in FY 2026 for the Access Voter Information Database line item. This amount is unchanged from FY 2025.

These monies pay for the state's share of costs for the state's voter registration system, which is named the Access Voter Information Database (AVID). The state and the counties share operation and maintenance costs.

Election Services

The Baseline includes no funding in FY 2026 for the Election Services line item.

Adjustments are as follows:

Remove 2024 Primary/General Election Funding

The Baseline includes a decrease of \$(7,900,000) from the General Fund in FY 2026 to remove funding for the Primary Election on July 30, 2024 and the General Election on November 5, 2024. A FY 2025 budget footnote required SOS to report on the expenditures from the Election Services line item by January 31, 2025 and to delineate by type of expense.

There are no state primary or general elections scheduled between July 2025 and June 2026, which results in the Baseline including no funding for the Election Services line item in FY 2026.

The FY 2025 budget's total funding for the 2024 Primary Election and 2024 General Election was \$8,000,000. This amount is comprised of the \$7,900,000 in FY 2025 for the traditional state primary and general election costs and a FY 2024 supplemental for \$100,000 from the General Fund for logic and accuracy testing in June for the primary election in July. This supplemental is displayed in the FY 2024 column for the Election Services line item.

At its December 18, 2024 meeting, the Joint Legislative Budget Committee gave a favorable review of a transfer of \$338,100 from the Election Services line item to the agency's operating budget for security costs.

The 2024 Presidential Preference Election was funded in a separate line item in the FY 2024 budget.

Background – This line item is intended only to cover variable traditional state primary and general election costs in an election year. In years with state election costs, a standard budget footnote specifies that before transferring monies in or out of the Election Services line item, the SOS must submit a report for review by the JLBC. Ongoing annual elections services costs are funded out of the agency's operating budget.

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 Positions from the General Fund in FY 2026 for the Electronic Record Repository line item.

Adjustments are as follows:

Remove One-Time Electronic Records Funding

The Baseline includes a decrease of \$(450,000) and (2) FTE Positions from the Record Services Fund in FY 2026 to remove one-time start-up costs of the Electronic Records Repository Program. This funding will pay for the initial costs of a digital preservation software service for the repository and for program staff costs.

The FY 2025 one-time appropriation of \$450,000 from the Record Services Fund supports the initial costs of the program. When fully operational, SOS plans to charge agencies to cover SOS operating costs and for the cost of digital storage. The Electronic Records Repository Fund is intended to be the recipient of fees and to be used for operating expenses of the program. At this time, the SOS is developing the program and no charges have been established.

Library Grants-in-Aid

The Baseline includes \$651,400 from the General Fund in FY 2026 for Library Grants-in-Aid. This amount is unchanged from FY 2025.

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. The appropriation is non-lapsing.

Statewide Radio Reading Service for the Blind

The Baseline includes \$97,000 from the General Fund in FY 2026 for Statewide Radio Reading Service for the Blind. This amount is unchanged from FY 2025.

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.

Uniform State Laws Commission

The Baseline includes \$99,000 from the General Fund in FY 2026 for costs associated with the state's participation in the Uniform State Laws Commission. This amount is unchanged from FY 2025.

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.

Other Issues

Long-Term Budget Impacts

As part of the Baseline's 3-year spending plan, SOS's General Fund costs are projected to increase by \$4,000,000 in FY 2027 above FY 2026 and remain unchanged in FY 2028. In FY 2027, funding for the Election Services line item would be restored to a base of \$4,000,000 for the 2026 Primary and General elections.

For FY 2028, while the state's Election Services funding amount would be zero (due to there being no scheduled Primary or General elections), the \$4,000,000 amount would instead be used to fund the 2028 Presidential Preference Election line item, for that election held in spring 2028.

Help America Vote Act Funding

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. Federal HAVA monies are deposited in the Election Systems Improvement Fund and require legislative appropriation.

HAVA Projects Appropriation

The FY 2024 budget included a non-lapsing appropriation that provides authority for the spending of \$5,000,000 for HAVA projects subject to JLBC review. The \$5,000,000

appropriation authority was intended to include all current unencumbered HAVA monies and a portion of any future federal HAVA grants.

A FY 2024 budget footnote stipulated that for the FY 2024 appropriation of \$5,000,000 that: 1) 75% of the monies be distributed to counties for election systems improvements; 2) Before spending monies in this line item, the SOS shall submit for JLBC review an expenditure plan that includes, at a minimum, planned expenditures and timeline for the expenditures by year; and 3) SOS is required to report to JLBC and OSPB semiannually until all monies from line item have been expended. The Joint Legislative Budget Committee gave a favorable review at the October 10, 2023 meeting to an expenditure plan totaling \$3,664,300. As of June 30, 2024, \$503,400 has been spent on the approved projects.

HAVA County Allocation Appropriation

The FY 2025 budget also extended the availability of a FY 2021 appropriation of \$5,352,200 of HAVA funding until the end of FY 2025. These monies were to be distributed to counties for election systems improvements. The legislature previously extended the availability of these monies in FY 2023 and FY 2024. As of June 30, 2024, an estimated \$281,000 remains available from the original county appropriation.

SUMMARY OF FUNDS

| | FY 2024 Actual | FY 2025 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 | 453,600 | 0 |
| Year-End Fund Balance | 73,900 | 524,800 |
| Coronavirus State and Local Fiscal Recovery Fund (ST2985/U.S. P.L. 117-2) | | Federal Funds |
| Source of Revenue: Federal monies appropriated in the American Rescue Plan Act (P.L. 117-2). | | |
| Purpose of Fund: To provide emergency support to households, small businesses, nonprofits, workers performing essential work, and certain industries negatively impacted by the COVID-19 pandemic. To extend government services that received a reduction in revenue as a result of the COVID-19 pandemic. To make investments in water, sewer, and broadband infrastructure. | | |
| Funds Expended | 479,200 | 639,800 |
| Year-End Fund Balance | (479,200) | (1,119,000) |

| SUMMARY OF FUNDS | FY 2024 Actual | FY 2025 Estimate |
|--|-------------------|-------------------------|
| 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 | 185,100 | 0 |
| Year-End Fund Balance | 169,100 | 490,600 |
| 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. | | |
| Funds Expended | 268,500 | 200,000 |
| Year-End Fund Balance | 74,700 | 2,800 |
| 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 | 986,900 | 483,500 |
| Year-End Fund Balance | 5,354,800 | 4,871,300 |
| 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 | 12,900 | 0 |
| Year-End Fund Balance | 4,200 | 10,200 |
| 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 | 5,063,400 | 4,808,700 |
| Year-End Fund Balance | 130,800 | (291,800) |
| IGA and ISA Fund (STA2500/A.R.S. § 35-142) | | Non-Appropriated |
| Source of Revenue: Intergovernmental Agreements and Internal Service Agreements with other state agencies. | | |
| Purpose of Fund: To record and manage Intergovernmental Agreements and Internal Service Agreements. | | |
| Funds Expended | 864,600 | 600,000 |
| Year-End Fund Balance | 340,500 | 836,500 |

| SUMMARY OF FUNDS | FY 2024 | FY 2025 |
|---|----------------|-------------------------|
| | Actual | Estimate |
| 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 | 198,000 | 65,000 |
| Year-End Fund Balance | 80,100 | 205,400 |
| 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. Budget legislation in FY 2014 and FY 2024 delayed the implementation until FY 2025. Laws 2024, Chapter 67 eliminated the fund and associated statutes. | | |
| 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 | 1,397,600 | 1,820,700 |
| Year-End Fund Balance | 455,700 | (297,600) |
| 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 | 74,700 | 0 |
| Year-End Fund Balance | 7,400 | 10,200 |
| 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 | 108,000 | 651,400 |
| Year-End Fund Balance | 293,000 | (341,600) |