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**Testimony before the  
Senate Finance Committee**

**2012-2013 Biennial Budget – House Bill 153**

Monday, May 16, 2011

Chairman Widener and members of the Senate Finance Committee, thank you for the opportunity to present the 2012-2013 biennial budget for the Office of the Ohio Secretary of State. I am Scott Borgemenke, Assistant Secretary of State and Chief of Staff for Secretary of State Jon Husted.

Upon taking office in January, Secretary Husted laid out two key goals for the office which are to:

- Provide leadership that builds trust and confidence in Ohio's system of elections and strikes a balance between access and accuracy.
- Enhance economic growth and job creation using technology and customer service practices that save businesses time and money.

As Ohio's chief elections officer, the SOS oversees the elections process and appoints the members of the boards of election in each of Ohio's 88 counties. The SOS supervises the administration of election laws, approves ballot language, reviews statewide initiative and referendum petitions, chairs the Ohio Ballot Board, canvasses votes for all elective state offices and issues, investigates election fraud and irregularities, trains election officials and reimburses counties for poll worker training costs.

The SOS receives and approves articles of incorporation for Ohio corporations and grants licenses to out-of-state corporations seeking to do business in Ohio. Limited partnerships and limited liability companies also file with the office. The largest operational division of the office, our Business Services Division, is responsible for duties related to the various corporate and uniform commercial code (UCC) filings, as well as, other records and documents. This division handles approximately 400,000 business services filings and other records filings per year.

The SOS is responsible for maintaining public records for the state including executive orders, administrative rules and regulations, laws and resolutions, minister's licenses, notary commissions, campaign finance reports, election statistics and voter registrations. The SOS is also a member of the Apportionment Board.

Secretary Husted is committed to running an efficient operation, while at the same time improving upon and providing excellent service for county boards of elections, for our business customers, and for the general public. The office will continue to find cost savings in our operations through the use of technology and on-line capabilities.

The House made no changes to the SOS budget as introduced.

### **General Revenue Fund (GRF)**

The proposed budget in each year of the new biennium totals \$21.33 million. Of this amount, \$2.38 million per year, or about 11%, is from the GRF. The GRF represents a declining share of total funds available for the operations of the office. The GRF budget is reduced by 6.4% from the current fiscal year level.

Of these GRF funds, \$2.14 million per year is for office operations while \$234,196 per year is for Poll Worker Training to reimburse counties for statutorily required training (ORC 3501.27). This appropriation level, in many years, has not been sufficient to fully reimburse counties for their costs and has been supplemented using other office funding sources.

Also, of note is a \$475,000 per year GRF appropriation to the Controlling Board for Ballot Advertising Costs. Pursuant to temporary language, these funds are transferred to the SOS as needed to meet the Constitutional requirement to publish such issues at least once a week for three consecutive weeks in a newspaper in each county. In prior years, emergency purposes funds have supplemented these funds, as advertising costs have ranged from \$285,300 in November 2004 to just over \$1.1 million in November 2005, dependent upon the number and length of the statewide issues.

Because of the newspaper publication requirements in Article II §1g and Article XVII, §1 of the Ohio Constitution, and obviously dependent on whether issues are actually certified for the ballot, the cost of ballot advertising this fall has the potential to greatly exceed past costs. One possible ballot issue is the referendum on SB 5, which would require printing the entire 304 page act. While difficult to estimate, costs could exceed \$6 million based on past costs.

### **Non-GRF**

Decreases in revenue have occurred in nearly all of the non-GRF funding sources used for office operations as well. These include the Notary Commission Fund 4120, the Information Systems Fund 4130, and even the Business Services Fund 5990, which is our most significant funding source. Non-GRF funds are generally flat-funded in FYs 2012-2013.

The Business Services Fund represents over 80% of funds available for unrestricted, general operating needs. The Business Services Fund receives fees collected by the office for filings under Title 13 and Title 17 of the Revised Code (uniform commercial code and corporate filings, respectively). During FY 2002 through FY 2008, the fund received on average \$14.78 million annually. However, recent years have seen a decrease in revenue – \$13.95 million in FY 2009 and then \$14.14 million in FY 2010.

### **Federal Funds**

Federal Help America Vote Act (HAVA) of 2002 funds, through the U.S. Elections Assistance Commission (EAC), are also important to the office. Ohio has received its authorized share of HAVA funds with the most recent distribution received in early February. However, no HAVA funds have been authorized by Congress for federal FY 2011. HAVA funds are restricted in their use for activities to improve the administration of elections for federal office. As such, these are viewed as one-time funds with no assurance of further allocations forthcoming. HAVA is flat-funded in FYs 2012-2013.

The office has annually applied for and received approximately \$3-400,000 per year under the Election Assistance for Individuals with Disabilities (EAID) grant program through the U.S. Department of Health and Human Services. Most of these funds are awarded to county boards of election to make polling places accessible and to train election officials relative to access issues.

### **Language**

The budget does propose a certification fee increase from \$1,800 to \$2,400 for the Board of Voting Machine Examiners (BVME). In FY 2009, the board was increased from 3 to 4 members. The fee covers the reimbursement due to the members (\$300 per day plus travel expenses) and other board expenses such as court reporting. By statute, fees not utilized for the designated purpose are returned to the vendor.

Language is proposed to allow for the use of e-notifications in certain circumstances by our Business Services Division. Along those same lines, language is also proposed to provide greater flexibility relative to some statutorily required publications. These are all efforts to reduce costs, provide more streamlined, updated methods of communicating with our customers and providing records in the most cost efficient manner.

A final note on lawsuits involving the office – while many of the liabilities from litigation have been resolved (\$2.4 million has been paid since FY 2007 for court ordered judgments or settlements), there are several remaining with potential state financial liability. There is no ability to budget for such expenses and we do not retain the resources to absorb those expenses.

I thank you for your attention and would be happy to answer any questions.