

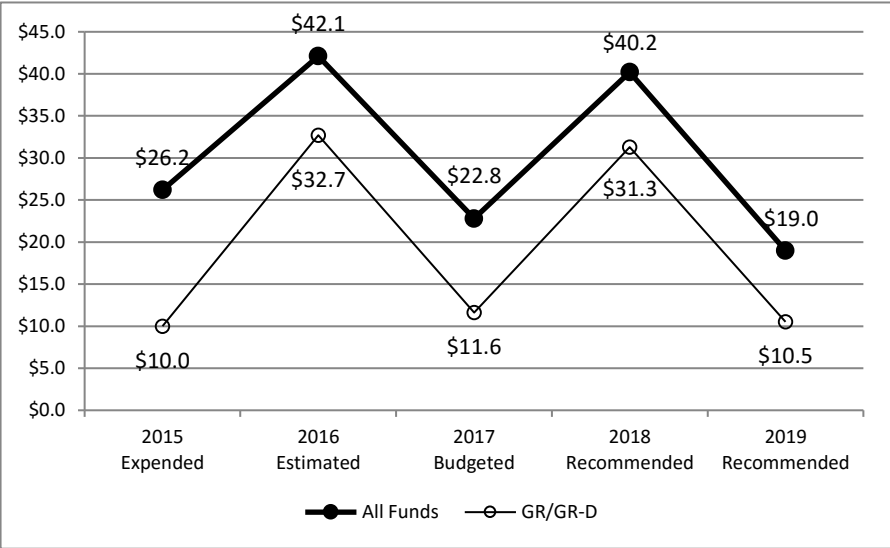
Secretary of State
Summary of Recommendations - Senate

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Rolando Pablos, Secretary of State
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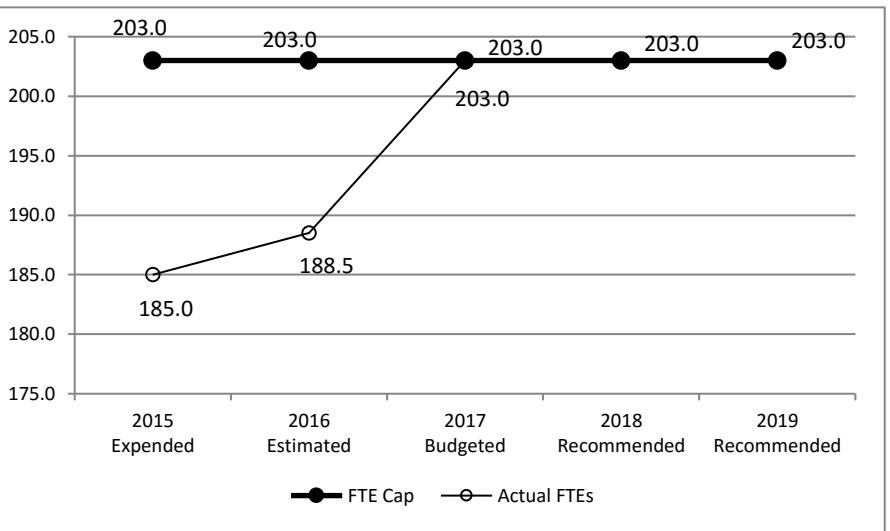
Method of Financing	2016-17 Base	2018-19 Recommended	Biennial Change (\$)	Biennial Change (%)
General Revenue Funds	\$44,310,450	\$41,792,234	(\$2,518,216)	(5.7%)
GR Dedicated Funds	\$75,010	\$11,280	(\$63,730)	(85.0%)
Total GR-Related Funds	\$44,385,460	\$41,803,514	(\$2,581,946)	(5.8%)
Federal Funds	\$4,595,580	\$2,938,287	(\$1,657,293)	(36.1%)
Other	\$15,864,435	\$14,450,000	(\$1,414,435)	(8.9%)
All Funds	\$64,845,475	\$59,191,801	(\$5,653,674)	(8.7%)

	FY 2017 Budgeted	FY 2019 Recommended	Biennial Change	Percent Change
FTEs	203.0	203.0	0.0	0.0%

Historical Funding Levels (Millions)



Historical Full-Time-Equivalent Employees (FTEs)



The bill pattern for this agency (2018-19 Recommended) represents an estimated 100% of the agency's estimated total available funds for the 2018-19 biennium.

Secretary of State
Summary of Funding Changes and Recommendations - Senate

Section 2

Funding Changes and Recommendations for the 2018-19 Biennium compared to the 2016-17 Base Spending Level (in millions)		General Revenue	GR-Dedicated	Federal Funds	Other Funds	All Funds	Strategy in Appendix A
<i>SIGNIFICANT Funding Changes and Recommendations (each issue is explained in Section 3 and additional details are provided in Appendix A):</i>							
A)	Reduction in Federal Help America Vote Act (HAVA) funding, not expected to be available after 2019. Interest earned on HAVA funding is represented as General Revenue-Dedicated.	\$0.0	(\$0.1)	(\$1.7)	\$0.0	(\$1.7)	B.1.4.
<i>OTHER Funding Changes and Recommendations (these issues are not addressed in Section 3 but details are provided in Appendix A):</i>							
B)	Reallocation of funding to fill vacancies and the transfer of existing employees salaries from Federal Funding to General Revenue and Other Funds.	\$0.7			\$0.3	\$1.0	7 strategies
C)	Reduction in funding related to computer software maintenance and contracted computer programmers, pursuant to the 4% reduction.	(\$1.0)				(\$1.0)	A.1.1, A.2.1, B.1.1, D.1.1
D)	Funding decrease related to postage and printing.				(\$1.6)	(\$1.6)	A.1.1, A.2.1, B.1.3
E)	Reduction in funding related to grants to counties and political parties to conduct primary elections, pursuant to the 4% reduction.	(\$1.4)				(\$1.4)	B.1.2, B.1.5
F)	General office equipment and supplies funding decrease.				(\$0.1)	(\$0.1)	B.1.5, D.1.1
G)	Reduction in funding related to Data Center Services projects to align with current obligations to maintain service levels and projects initiated in the 2016-17 biennium.	(\$0.8)				(\$0.8)	D.1.1
TOTAL SIGNIFICANT & OTHER Funding Changes and Recommendations (in millions)		(\$2.5)	(\$0.1)	(\$1.7)	(\$1.4)	(\$5.7)	As Listed
<i>SIGNIFICANT & OTHER Funding Increases</i>		\$0.7	\$0.0	\$0.0	\$0.3	\$1.0	As Listed
<i>SIGNIFICANT & OTHER Funding Decreases</i>		(\$3.2)	(\$0.1)	(\$1.7)	(\$1.7)	(\$6.6)	As Listed

NOTE: Totals may not sum due to rounding.

**Secretary of State
Selected Fiscal and Policy Issues - Senate**

1. Help American Vote Act (HAVA) of 2002 Federal Funding.

Recommendations include an anticipated decrease of federal HAVA funds of \$1.7 million for the 2018-19 biennium. The agency estimates that the HAVA funds will be depleted in fiscal year 2019. Secretary of State (SOS) has requested \$500,000 in General Revenue for fiscal year 2019 to continue HAVA related activities such as improving administration of elections (not included in recommendations); making grants to counties to comply with HAVA mandates; and maintaining the software maintenance for the Texas Election Administration Management (TEAM) system.

The Help America Vote Act (HAVA) was passed by the United States Congress in 2002 in order to assist the states with federal elections. HAVA funds can be used as reimbursements for grants to counties (65-75 percent), voter education (5-10 percent), state plan administration (2-5 percent), and the statewide voter registration system (10-20 percent). The TEAM system is the agency's federally mandated electronic voter registration database. SOS will use the entirety of the HAVA funds in fiscal years 2018-19 for TEAM maintenance expenses through a contract with the outside vendor, PCC Technology Group.

The State of Texas was awarded \$190 million in federal HAVA funding, which was received in its entirety in 2004. The HAVA funds have accrued interest in the General Revenue-Dedicatee (GR-D) Election Improvement Fund Account No. 5095. The interest accrued in GR-D Account 5095 is considered State Funds; however, these funds do not count towards certification in the General Appropriations Act and can only be used for HAVA related purposes. Over the years, as HAVA funds have been expended, the interest accrued in the account has decreased.

2. Voter Education Related to Voter Identification.

SOS first launched a Voter Education Campaign in 2006 in response to the Help America Vote Act (HAVA) of 2002. The first campaign was funded with HAVA federal funds appropriations. The 2006 campaign was the most expensive campaign, costing over \$5 million because it was the public's first introduction to the voting requirements established by HAVA. SOS has continued the program for every federal election cycle since 2006 with the amount of campaigns being incrementally decreased due to decreasing federal funds.

With the passage of voter identification requirements, the 82nd Legislature added a rider related to Senate Bill 14: Contingency Appropriation for Voter Education: Related to Voter Identification. The agency was appropriated \$2.02 million in GR-D (interest from HAVA federal funds) in fiscal year 2012-13 and 2014-15.

For fiscal years 2016-17 the agency was appropriated \$4.0 million in General Revenue to educate the public regarding the required documents for voting and the general voting process. Recommendations for fiscal years 2018-19 continue this level of funding.

Voter ID Background.

- In July 2016, the U.S. 5th Circuit Court of Appeals affirmed a previous ruling that the 2011 Texas Voter ID Law does not comply with the Voting Rights Act.
- In August 2016, the State of Texas and the U.S. Justice Department reached an agreement to modify the implementation of its voter identification law for the November 2016 election. The agreement also stipulated the expenditure of \$2.5 million for voter education before November.
- In September 2016, Former Texas Secretary of State Carlos H. Cascos started the state's voter education campaign. Vote Texas is a statewide, bilingual effort to engage voters about the state's photo ID requirements and additional options for voters who cannot obtain an approved photo ID, mandated by court order.
- Texas appealed the District Court ruling to the U.S. Supreme Court. In January 2017 the U.S. Supreme Court declined to hear the State's appeal and let stand the lower court ruling.

Secretary of State
Quality Assurance Team Highlights - Senate

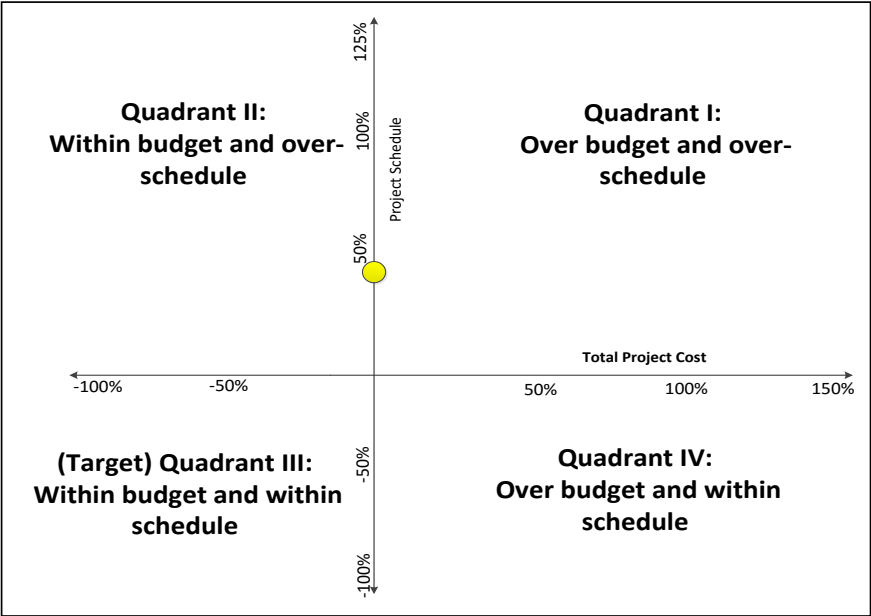
Section 3c

Summary of Total Costs (in millions) and Time Frames reported to the Quality Assurance Team*

Project Name	Original Projected Costs	Current Projected Costs	Difference in Costs	Expenditures to Date	Original Timeline in Months	Current Timeline in Months	Difference in Time	% Complete	
1 Texas Election Administration Management (TEAM) System	\$6.1	\$6.1	\$0.0	\$6.0	16	23	7	100%	●
Project Totals (1)	\$6.1	\$6.1	\$0.0	\$6.0					

*Note: The project was successful in terms of budget but was 44% or 7-months over-schedule due to contract negotiation and development delays with the database.

Major Information Resources Projects



- Legend**
- Project which is within budget and within schedule
 - Project which exceeds budget OR schedule
 - Project which is over budget and behind schedule

*Note: These figures reflect all project costs (Capital and Informational) and timelines from self-reported monitoring reports that are sent to the Quality Assurance Team (QAT) for review. QAT includes representatives from the Legislative Budget Board, the State Auditor’s Office, and the Department of Information Resources.

Secretary of State
Quality Assurance Team Highlights - Senate

Section 3c

Significant Project Highlights

1 Texas Election Administration Management (TEAM) System Replacement

This project, authorized to begin in FY 2014 for a duration of 16 months, was appropriated \$0.8 million for project development. This system was financed with federal funding through the Help America Vote Act of 2002 (HAVA). HAVA requires the State to implement an official, computerized, statewide voter registration list that is defined, maintained, and administered at the state level.

A previous Texas Election Administration Management (TEAM) System was implemented in January 2007. After the TEAM System was placed into production, many issues arose with its performance, and extensive troubleshooting and analysis of the source code were required to get the system operating at a functional level.

In FY 2013, the Secretary of State (SOS) with assistance from Gartner, Inc. created a Business Case to plan another phase of the TEAM project. This new phase included additional election management features and improvements to election set-up functions requested by online counties.

The project duration slipped by six months in FY 2014 due to contract negotiations. The agency achieved most of the project goals with this newest implementation by procuring a Commercial Off-the-Shelf (COTS) product through PCC Technology Group (Fixed Price Contract). Several issues were identified during implementation and the vendor extended the warranty at no additional cost to the agency.

The vendor has completed the interim schedule, with the exception of the merge/unmerge voter registration function. The development of this function was delayed at the request of the SOS Election Division until after the November 2016 election. Originally, the agency planned for completion by December 23, 2016. However, due to extensive follow-up activity after the November 2016 election, the Election Division requested further delay for the merge/unmerged voter registration function from December 23rd to January 27, 2017. Testing of the Voter Registration functionality by the Election Division and the election follow-up took priority.

The agency will be scheduling the system transition to maintenance and operations (M&O) the end of February with official cutover on March 1, 2017. SOS has begun the maintenance phase and is paying the monthly maintenance fees to the vendor out of remaining HAVA funds. Fiscal Year 2018-19 recommended amounts include \$2.5 million in HAVA federal funds. The agency has requested \$500,000 to complete the maintenance expenses through FY 2019.

* Note: The agency has estimated outsourcing operations, 1st level help desk, technical support, operations, hosting (including hardware) - \$2.0 million per year during full support.

QAT Budget Highlights (in millions)

Project Name	2016-17 Base	2018-19 Requested	2018-19 Recommended
TEAM	\$3.0	\$3.0	\$2.5
Total	\$3.0	\$3.0	\$2.5

* Note: Requested amounts for 2018-19 include all baseline and exceptional item funding requested by the agency for ongoing maintenance (\$2.5 million in Federal Funds and \$500,000 in General Revenue Funds). Recommended amounts for 2018-19 include baseline funding only.

Secretary of State
Rider Highlights - Senate

Modification of Existing Riders

7. **General Revenue-Dedicated Election Improvement Fund No. 5095.** Recommendations revise this rider to update the Federal Funds unexpended balance amounts and General Revenue-Dedicated interest earnings.

Secretary of State
Items Not Included in Recommendations - Senate

Section 5

	2018-19 Biennial Total			Information Technology Involved?	Contracting Involved?	Estimated Continued Cost 2020-21
	GR & GR-D	All Funds	FTEs			

Agency Exceptional Items - In Agency Priority Order

1)	Funding to replace and/or upgrade computers, printers, and scanners.	\$0	\$200,000	0.0	Yes	No	\$0
2)	Request for a new rider for UB Authority Between Biennia for Document Filing.	\$0	\$0	0.0	No	No	\$0
3)	Funding for software maintenance related to the Business Entity & Secured Transaction (BEST) application system.	\$300,000	\$300,000	0.0	Yes	No	\$300,000
4)	Funding for legacy remediation and upgrades related to the BEST application system.	\$1,761,528	\$1,761,528	0.0	Yes	No	\$0
5)	Additional funding and new rider for software maintenance related to the Texas Election Administration Management (TEAM) application system. The federal Help America Vote Act of 2002 (HAVA) requires each state to develop and maintain an electronic voter registration database.	\$500,000	\$500,000	0.0	No	Yes	\$3,000,000
6)	Staff the CAPPS Conversion.	\$200,000	\$200,000	2.0	Yes	No	\$0
7)	Additional funding and new rider for the Military Voting Pilot Project, which will allow an electronic return of voted ballots from military voters in hostile pay zones.	\$250,000	\$250,000	0.0	No	Yes	\$0
8)	Additional funding and new rider for increased costs associated with processing Public Information Reports resulting from the enactment of HB 2891 by the 84th Legislature.	\$120,000	\$120,000	0.0	No	Yes	\$120,000

TOTAL Items Not Included in Recommendations	\$3,131,528	\$3,331,528	2.0				\$3,420,000
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**Secretary of State
Appendices - Senate**

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* Appendix is not included - no significant information to report

Secretary of State
Funding Changes and Recommendations - Senate, by Strategy -- ALL FUNDS

Strategy/Goal	2016-17 Base	2018-19 Recommended	Biennial Change	% Change	Comments
DOCUMENT FILING A.1.1	\$15,324,347	\$12,904,326	(\$2,420,021)	(15.8%)	Recommendations include: 1) \$78,000 increase in General Revenue in order to fill two vacant positions (Service Representatives); 2) \$0.4 million decrease in General Revenue for computer software and maintenance; 3) \$0.5 million decrease in General Revenue for computer programmers and temporary workers; 4) \$1.6 million decrease in Other Funds for postage.
DOCUMENT PUBLISHING A.2.1	\$908,214	\$947,840	\$39,626	4.4%	Recommendations include: 1) \$80,672 increase in General Revenue in order to fill one vacant position (Notary Investigator); 2) \$29,702 decrease in General Revenue for computer software and maintenance for the Texas Register; 3) \$11,344 decrease in Other Funds for postage and printing.
Total, Goal A, INFORMATION MANAGEMENT	\$16,232,561	\$13,852,166	(\$2,380,395)	(14.7%)	
ELECTIONS ADMINISTRATION B.1.1	\$8,878,778	\$8,703,113	(\$175,665)	(2.0%)	Recommendations include: 1) \$0.1 million increase in General Revenue in order to fill three vacant positions (1 Attorney and 2 Program Specialists); 2) \$0.3 million decrease in General Revenue for software maintenance for agency software that produces ad hoc reports and postage and printing related to voter registration mailouts; 3) \$50,000 decrease in Other Funds related to contract services purchased related to general office machine repairs.
PRIMARY FUNDING/VR POSTAGE B.1.2	\$14,507,984	\$13,448,224	(\$1,059,760)	(7.3%)	Recommendations include a \$1.1 million decrease in General Revenue regarding grants that were paid to political party chairs in order to conduct primary elections.

Secretary of State					
Funding Changes and Recommendations - Senate, by Strategy -- ALL FUNDS					
Strategy/Goal	2016-17 Base	2018-19 Recommended	Biennial Change	% Change	Comments
CONSTITUTIONAL AMENDMENTS B.1.3	\$1,156,051	\$1,142,359	(\$13,692)	(1.2%)	Recommendations include: 1) \$21,415 increase in General Revenue related to an increase in printing costs of constitutional amendments; 2) \$35,104 decrease in General Revenue for advertising expenses related to published constitutional amendment notices printed in both English and Spanish.
ELECTIONS IMPROVEMENT B.1.4	\$4,670,590	\$2,949,567	(\$1,721,023)	(36.8%)	Recommendations include: 1) \$1.0 million decrease in Federal Funds for Texas Election Administration Management (TEAM) system software maintenance; 2) \$0.7 million decrease in Federal Funds related to transferring six full-time equivalents to General Revenue and Other Funds; 3) \$63,730 decrease in General Revenue-Dedicated for estimated amounts of interest earned on Help America Vote Act (HAVA) federal funds.
FINANCING VOTER REGISTRATION B.1.5	\$6,083,870	\$5,777,500	(\$306,370)	(5.0%)	Recommendations include: 1) \$0.1 million decrease in General Revenue for county reimbursements for postage and computer software maintenance; 2) \$.2 million decrease in General Revenue related to grants to counties for voter registration activities related to office equipment and temporary employees.
Total, Goal B, ADMINISTER ELECTION LAWS	\$35,297,273	\$32,020,763	(\$3,276,510)	(9.3%)	
PROTOCOL/BORDER AFFAIRS C.1.1	\$545,116	\$564,691	\$19,575	3.6%	Recommendations include: 1) \$37,273 increase in General Revenue in travel; 2) \$17,698 decrease in General Revenue related to salaries related to one of the employees in the protocol division will be on military leave for a portion of the year.

Secretary of State					
Funding Changes and Recommendations - Senate, by Strategy -- ALL FUNDS					
Strategy/Goal	2016-17 Base	2018-19 Recommended	Biennial Change	% Change	Comments
COLONIAS INITIATIVES C.1.2	\$859,288	\$859,091	(\$197)	(0.0%)	Recommendations include: 1) \$45,000 increase in General Revenue in order to fill one vacant position (Ombudsman); 2) \$45,197 decrease in General Revenue related to travel and salaries. There are currently two vacancies related to this strategy and the agency may only fill one of these positions.
Total, Goal C, INTERNATIONAL PROTOCOL	\$1,404,404	\$1,423,782	\$19,378	1.4%	
INDIRECT ADMINISTRATION D.1.1	\$11,911,237	\$11,895,090	(\$16,147)	(0.1%)	Recommendations include: 1) \$0.8 million decrease in General Revenue to align current obligations for Data Center Services (DCS) costs associated with additional servers and new projects. 2) \$0.4 million increase in General Revenue in order to move three positions (Computer Programmers) from Federal Funding to General Revenue; 3) \$0.3 million increase in General Revenue regarding general agency computer software maintenance; 4) \$0.3 million increase in General Revenue in order to hire contracted Computer Programmers; 5) \$0.4 million decrease in General Revenue regarding computer software maintenance; 6) \$0.3 million increase in Other Funds in order to move three positions (Computer Programmers) from Other Funding to General Revenue; 7) \$61,091 decrease in Other Funds for general office equipment and supplies.
Total, Goal D, INDIRECT ADMINISTRATION	\$11,911,237	\$11,895,090	(\$16,147)	(0.1%)	
Grand Total, All Strategies	\$64,845,475	\$59,191,801	(\$5,653,674)	(8.7%)	

Secretary of State
FTE Highlights - Senate

Full-Time-Equivalent Positions	Expended 2015	Estimated 2016	Budgeted 2017	Recommended 2018	Recommended 2019
Cap	203.0	203.0	203.0	203.0	203.0
Actual/Budgeted	185.0	188.5	203.0	NA	NA

Schedule of Exempt Positions (Cap)					
Secretary of State, Group 5	\$129,682	\$132,924	\$132,924	\$132,924	\$132,924

Notes:

a) Fiscal years 2015 and 2016 actual FTE figures are lower than the FTE cap limits primarily due to low pay which has resulted in turnover. The agency participated in the Veterans Job Fair in both 2015 and 2016 and continues to post all positions in WorkInTexas.com. The agency also continues to utilize all authorized compensation and retention programs, such as performance rewards, one-time merit salary awards, and return to work programs, to the extent of available funding.

b) The State Auditor's Office Reports, *Executive Compensation at State Agencies* (Report 16-706, August 2016), does not indicate a market average for executive officer positions. The salary for the Secretary of State is a public policy decision that is not tied directly to the market average for similar professional positions.

Secretary of State
Summary of Ten Percent Biennial Base Reduction Options Recommendations - Senate

Appendix E

Priority	Item	Description/Impact	Biennial Reduction Amounts			Potential Revenue Loss	Reduction as % of Program GR/GR-D Total	Included in Intro Bill?
			GR & GR-D	All Funds	FTEs			
1)	Grants to Counties	According to the agency, this reduction in the grant payments made to county voter registrars would require an amendment to the Texas Election Code Section 19.002. To achieve this budget reduction the statutory reimbursement rates would have to be reduced to approximately 90% of the current rates by the 85th Legislature.	\$1,666,457	\$1,666,457	0.0	\$0	3.9%	No
2)	Grants to County Political Parties	According to the agency, this reduction will require legislative action to amend the primary election financing provisions in Election Code Section 173. These grants are paid to political parties in order to finance primary elections.	\$1,308,354	\$1,308,354	0.0	\$0	3.1%	No
3)	Publish Constitutional Amendments	Publication of explanatory statements in the newspapers of the state is mandated by Article 17, Section 1 of the Texas Constitution. According to the agency, this reduction will require the agency will work cooperatively with the Office of the Attorney General to reduce the length of the explanatory statements to be printed in the newspapers of the state in order to reduce the newspaper publication costs.	\$163,653	\$163,653	0.0	\$0	0.4%	No
4)	Program Travel	According to the agency, the reduction of travel funds would impact the agency's ability to serve customers including elections administrators, voter registrars, the business, financial, and legal communities, and colonia residents.	\$139,000	\$139,000	0.0	\$0	0.3%	No
5)	State Agency Administration	According to the agency, the reduction of 6 FTEs in the agency's administrative and support operations results will cause insufficient administrative and financial control and accountability.	\$613,347	\$613,347	6.0	\$0	1.4%	No
6)	Improve Living Conditions Colonias	According to the agency, the reduction of 1 FTE in the colonias initiative will reduce the effectiveness of the strategy by limiting the monitoring of funded projects and reducing the capacity to advocate on behalf of colonia residents.	\$98,126	\$98,126	1.0	\$0	0.2%	No

Secretary of State
Summary of Ten Percent Biennial Base Reduction Options Recommendations - Senate

Priority	Item	Description/Impact	Biennial Reduction Amounts			Potential Revenue Loss	Reduction as % of Program GR/GR-D Total	Included in Intro Bill?
			GR & GR-D	All Funds	FTEs			
7)	Business and Public Filings	According to the agency, this reduction will decrease the number of documents that can be filed, increase document turnaround time, impede the creation of new business entities, slow collection and deposits of revenue.	\$162,067	\$162,067	2.0	\$0	0.4%	No
8)	State Election Administration	According to the agency, this reduction will promote the use of online services for Voter Registration, however, Texas does not currently have online voter registration.	\$110,000	\$110,000	0.0	\$0	0.3%	No
TOTAL, 10% Reduction Options			\$4,261,004	\$4,261,004	9.0	\$0		