

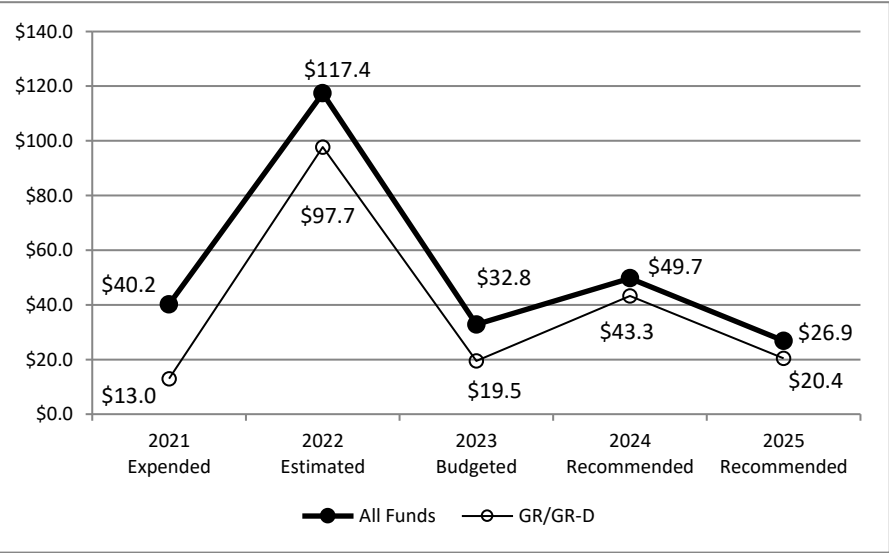
Secretary of State
Summary of Budget Recommendations - Senate

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Jane Nelson, Secretary of State
George Purcell Jr, LBB Analyst

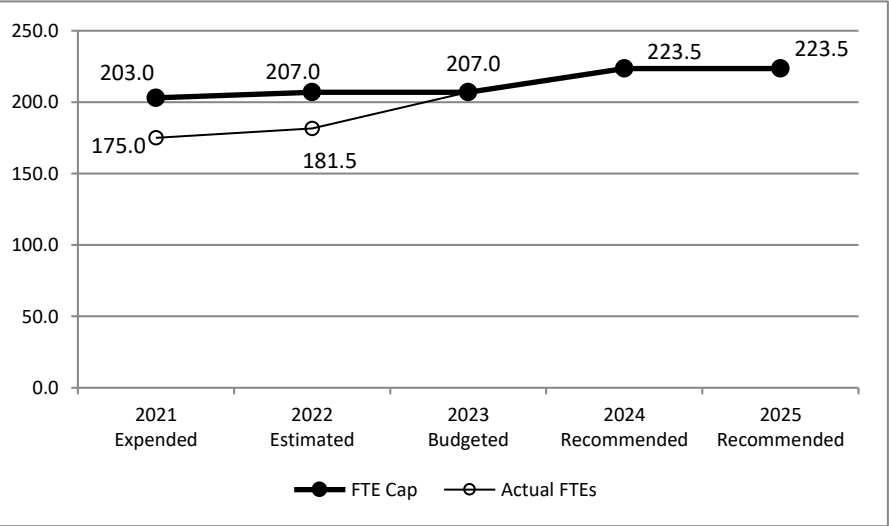
Method of Financing	2022-23 Base	2024-25 Recommended	Biennial Change (\$)	Biennial Change (%)
General Revenue Funds	\$117,191,874	\$63,653,554	(\$53,538,320)	(45.7%)
GR Dedicated Funds	\$60,000	\$0	(\$60,000)	(100.0%)
Total GR-Related Funds	\$117,251,874	\$63,653,554	(\$53,598,320)	(45.7%)
Federal Funds	\$17,721,272	\$0	(\$17,721,272)	(100.0%)
Other	\$15,197,290	\$12,912,862	(\$2,284,428)	(15.0%)
All Funds	\$150,170,436	\$76,566,416	(\$73,604,020)	(49.0%)

	FY 2023 Budgeted	FY 2025 Recommended	Biennial Change	Percent Change
FTEs	207.0	223.5	16.5	8.0%

Historical Funding Levels (Millions)



Historical Full-Time-Equivalent Employees (FTEs)



The bill pattern for this agency (2024-25 Recommended) represents an estimated 100.0% of the agency's estimated total available funds for the 2024-25 biennium.

Secretary of State
Summary of Funding Changes and Recommendations - Senate

Section 2

Funding Changes and Recommendations for the 2024-25 Biennium compared to the 2022-23 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)	Expiration of Federal Help America Vote Act (HAVA) grant.	\$0.0	\$0.0	(\$17.7)	\$0.0	(\$17.7)	B.1.4
B)	Reduction of General Revenue in one-time funding for phase I of the BEST Legacy Modernization project that updated the core functions of the agency's business transaction system.	(\$17.5)	\$0.0	\$0.0	\$0.0	(\$17.5)	D.1.1
C)	Reduction of one-time General Revenue funding for auditable voting machines.	(\$38.3)	\$0.0	\$0.0	\$0.0	(\$38.3)	B.1.4
D)	Decrease in Appropriated Receipts largely due to loss of online credit card fees held in an unappropriated status by the Comptroller of Public Accounts.	\$0.0	\$0.0	\$0.0	(\$2.3)	(\$2.3)	A.1.1, A.2.1, D.1.1
<i>OTHER Funding Changes and Recommendations (these issues are not addressed in Section 3 but details are provided in Appendix A):</i>							
E)	Reduction in General Revenue-Dedicated Fund. No. 5095, Election Improvement, due to reduced interest from balance of previous Federal HAVA grants (Item F).	\$0.0	(\$0.1)	\$0.0	\$0.0	(\$0.1)	B.1.4
F)	Increase in General Revenue to offset reduction in GR-D Fund No. 5095 (Item F) due to reduced interest from balance previous Federal HAVA grants (Item E).	\$0.1	\$0.0	\$0.0	\$0.0	\$0.1	B.1.4
G)	Reduction in General Revenue for anticipated decrease in costs related to Constitutional amendments.	(\$1.6)	\$0.0	\$0.0	\$0.0	(\$1.6)	B.1.3
H)	Increase in General Revenue for replacement of information technology equipment on a five-year cycle.	\$1.5	\$0.0	\$0.0	\$0.0	\$1.5	D.1.1
I)	Increase in General Revenue for the statewide salary adjustments.	\$2.2	\$0.0	\$0.0	\$0.0	\$2.2	E.1.1
TOTAL SIGNIFICANT & OTHER Funding Changes and Recommendations (in millions)		(\$53.5)	(\$0.1)	(\$17.7)	(\$2.3)	(\$73.6)	As Listed
<i>SIGNIFICANT & OTHER Funding Increases</i>		\$3.8	\$0.0	\$0.0	\$0.0	\$3.8	As Listed
<i>SIGNIFICANT & OTHER Funding Decreases</i>		(\$57.4)	(\$0.1)	(\$17.7)	(\$2.3)	(\$77.4)	As Listed

NOTE: Totals may not sum due to rounding.

Secretary of State
Selected Fiscal and Policy Issues - Senate

1. **Help America Vote Act (HAVA) Funding**

The federal Help America Vote Act (HAVA), passed in 2002, provides resources to assist states with improving the administration of Federal elections. HAVA funds can be used as reimbursements for grants to counties, voter education, state plan administration, and statewide voter registration systems. Federal HAVA grants are deposited to General Revenue-Dedicated Fund No. 5095, Election Improvement Fund. The chart to the right shows HAVA grants that Texas has received and the balance of Fund 5095 over time. The agency received a new Federal HAVA grant for election security in May 2022 for \$4,241,736. These funds are expected to be expended by the end of fiscal year 2024.

The required match for this new funding is provided by funds appropriated in the Eighty-seventh Session for reimbursement of counties for auditable voting machines (see Item 3). The new funds will be used for the ongoing maintenance of the Texas Election Administration Management (TEAM) system, the agency's federally mandated electronic voter registration database, funded by the original HAVA grant in 2002.

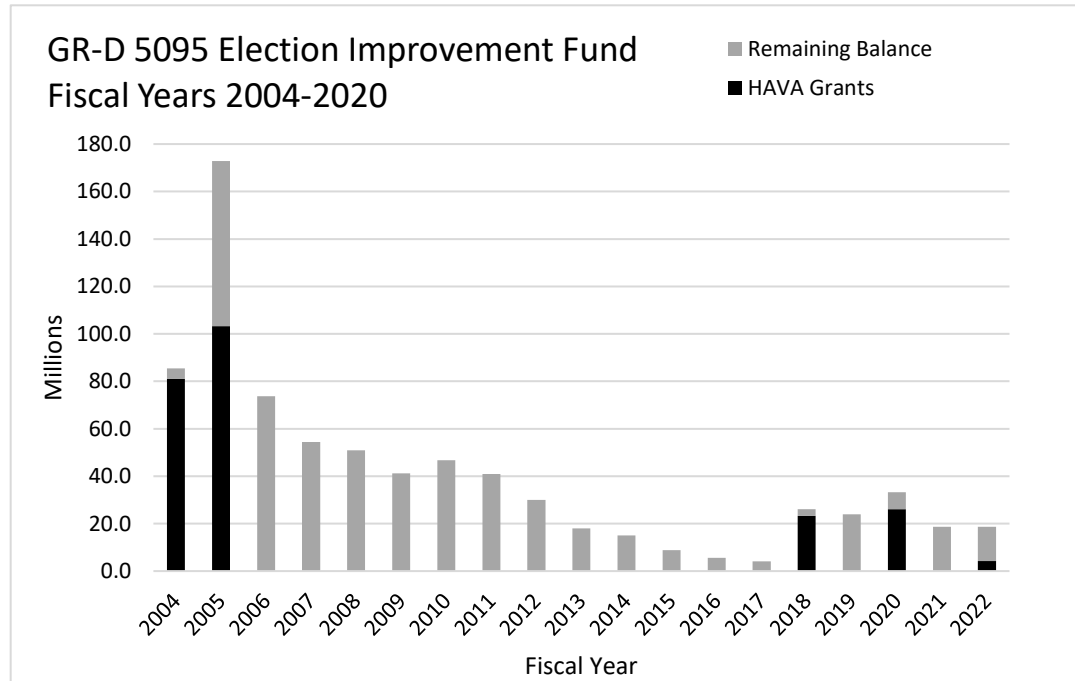
Due to a technical issue with Rider 15, 2018 Help America Vote State Matching Funds, the agency was unable to use unexpended balances from the 2020-21 biennium as intended as a state match for these Federal Funds. Instead, the agency met this required Federal match using funds appropriated in 2022-23 for reimbursement of counties for costs involved in primary elections under the provisions of Article IX, Section 14.01, Appropriation Transfers. Exceptional Item 1, Restoration of 2018 HAVA State Match/Adjustment Funds, would reimburse the agency for that transfer.

2. **Business Entity Secured Transaction (BEST) System Replacement**

The agency requested \$37.7 million in the 2022-23 biennium for the modernization of the 20-year-old legacy Business Entity Secured Transaction (BEST) system. This system is used by the agency for processing and recording over \$100 million in business entity transactions per year. The agency was provided \$18,171,924 in General Revenue in House Bill 2, Eighty-seventh Legislature, Regular Session (HB 2) for this purpose.

Funding provided in HB 2 was used for the first phase of the replacement of the system, which enabled the agency to replace legacy functions related to processing and recording revenue and to develop controls over these transactions. Other legacy functions that were upgraded by this funding included technology platform standardization, upgrades to network and security hardware, database modernization, and digitization of existing paper processes.

The agency requests \$24,148,847 in General Revenue in Exceptional Item 2, SOS Legacy Modernization – Phase 2, for a second modernization phase of its BEST and IT systems. The focus of this modernization effort will be on citizen-facing services such as queries of filings and transactions recorded in the Texas Register, as well as the functions of the Notary, Service of Process, and Authentications units of the agency. The upgrade would also transfer over 100 separate Microsoft Access databases to BEST modules or Microsoft tools such as Power Automate, develop a mobile friendly design for the agency website, unify two separate website systems, and digitize 100 years of paper documentation currently held in the basement of the headquarters building. This request is not included in these



recommendations.

3. Support for Election Integrity

The Eighty-seventh Legislature passed several bills related to election integrity:

- Senate Bill 598, Regular Session, established a risk-limiting audit program to be administered by the Secretary of State and required the agency to reimburse counties for the replacement of direct-recording electronic voting machines;
- Senate Bill 231, Regular Session, required the agency to develop a standardized training program for county officials;
- House Bill 1382, Regular Session, required the agency to develop an online tool for voters to track the location and status of a ballot application; and
- Senate Bill 1, Second Called Session (SB 1), required the agency to develop a training course for voter registrars, to conduct periodic election audits of certain counties, to develop and to maintain an online training system for poll watchers, to modify the TEAM system for the tracking of mail-in ballots, and to reimburse counties for the cost of replacing voting machines.

Secretary of State Rider 19 of the General Appropriations Act, 2022-23, appropriated \$34,000,000 in General Revenue for the reimbursement of counties for voting machines and an additional \$4,300,000 for this purpose was provided in House Bill 5, Second Called Session. The agency received \$4,000,000 in a LBB and Governor-directed budget execution of General Revenue from the Texas Department of Criminal Justice for the purpose of funding election audits. Included in these recommendations is the agency's base request for 16.5 FTEs to implement SB 1 election audits in the 2024-25 biennium.

The agency requests an additional \$8,870,486 and 38.0 FTEs in General Revenue in Exceptional Item 3, Forensic Election Audits, to expand this implementation. Other General Revenue requests related to election integrity are Exceptional Item 5, Voting List Maintenance/Monitoring Oversight (\$5,844,083 and 22.0 FTEs) and Exceptional Item 8, Election Security Trainers (\$1,907,804 and 4.0 FTEs). None of these requests are included in these recommendations.

4. Retained Credit Card Fees for Payment System Security

Contracts with credit card processors may contain provisions that allow the merchant to retain a small proportion of fees for the purpose of security upgrades to processing systems. Due to the complexity of fees charged by the Secretary of State, the agency has been required to contract for these credit card processing services rather than use a state-provided solution and, as part of those contracts, has been collecting these security upgrade fees under the provisions of Government Code Sec. 405.031(e). Between fiscal years 2006 and 2021, fees collected by the agency accrued a balance of \$1,456,094, which the agency intended to use for future security upgrades.

In fiscal year 2021, for reasons of transparency, SOS changed the accounting for these fees from direct revenue to Strategy A.1.1, Document Filing, to a holding account provided by the Comptroller of Public Accounts (CPA) for the collection of credit card fees. At that time, the CPA determined that, because upgrade expenses had yet to be "incurred" the agency would require explicit appropriation authority to access these balances as these upgrades had not yet been completed. CPA is now concerned that because SOS lacks the resources to upgrade the credit card processing system the agency is at risk of a data breach.

The agency's current credit card processing contract does not contain provisions for these security upgrade fees; however, SOS may seek to access these fees in a future contract.

The agency's request for a rider that would appropriate an additional \$1,456,094 in Appropriated Receipts from existing balances as well as revenue from future contracts (estimated at \$0 for the 2024-25 biennium) is not included in these recommendations. Should this request be adopted, the agency indicates these funds would be used for security upgrades.

**Secretary of State
Rider Highlights - Senate**

Modification of Existing Riders

2. **Capital Budget.** Rider revised as to add \$400,000 in authority for the existing capital budget item Acquisition of Information Resource Technology in the second year of the biennium for upgrades of computers and related technology on a five-year replacement cycle.

Deleted Riders

15. **2018 Help America Vote State Matching Funds.** Recommendations remove a one-time rider appropriating funds in 2022-23 as a five-percent state match for a federal election security grant as the agency indicated it is no longer needed.
17. **Funding Increases for the 2022-23 Biennium.** Recommendations remove a rider directing one-time General Revenue funding for a five-percent state match towards the federal Help America Vote Act election security grant received by the Secretary of State in 2020.
19. **Reimbursement for Auditable Voting Machines.** Recommendations remove a rider directing one-time appropriations related to the retrofitting and upgrading of auditable voting machines.

Secretary of State
Items Not Included in Recommendations - Senate

Section 5

	2024-25 Biennial Total			Information Technology Involved?	Contracting Involved?	Estimated Continued Cost 2026-27
	GR & GR-D	All Funds	FTEs			

Agency Exceptional Items Not Included (in agency priority order)

1)	Restoration of 2018 HAVA State Match/Adjustment. Agency request to reinstate funding for Strategy B.1.2, Primary Funding/VR Postage, that was reallocated to Strategy B.1.1, Elections Administration, to match 2018 Help America Vote Act federal funds.	\$905,630	\$905,630	0.0	No	No	\$0
2)	SOS Legacy Modernization - Phase 2. Agency request for continued modernization of the BEST system including, but not limited to, filings and transactions delivered by the Texas Register, Notary, Service of Process and Authentications units of the agency (see Page 3).	\$24,148,847	\$24,148,847	0.0	Yes	Yes	\$0
3)	Forensic Election Audits. Agency request for additional funding and FTEs to implement a new requirement for statutory audits of election established in SB 1, Eighty-seventh Legislature, Second Called Session.	\$8,870,486	\$8,870,486	38.0	No	No	\$8,842,522
4)	Elections Funds Management. Agency request for a new computer application to manage the distribution of funds related to Primary Funding/VR Postage, Elections Improvement, and Financing Voter Registration strategies.	\$6,809,600	\$6,809,600	0.0	Yes	No	\$3,619,200
5)	Voter Registration List Maintenance/Monitoring Oversight. Agency request to increase staffing to support county officials related to election law changes.	\$5,844,083	\$5,844,083	22.0	No	No	\$5,966,714
6)	Address Critical Workforce Needs. Agency request for funding to increase salaries to the midpoint of SAO's State Position Classification Plan for positions at the agency that have exhibited high levels of turnover.	\$1,131,602	\$1,131,602	0.0	No	No	\$1,159,202
7)	Document Filing Full-Time Equivalent Increases. Agency request for additional FTEs in Document Filing and Indirect Administration to assist with an increase in filing activity, staff the new agency ChatBot, assist in investigation and enforcement, and assist the legal division team.	\$2,725,108	\$2,725,108	21.0	No	No	\$2,695,102
8)	Election Security Trainers. Agency request for four additional FTEs, above the current six FTEs, providing election security training to counties and regions.	\$1,907,804	\$1,907,804	4.0	No	No	\$1,927,798
9)	Document Filing Recruitment & Retention. Agency request to increase salaries and add three additional FTEs to the Document Filing Division.	\$939,394	\$939,394	3.0	No	No	\$961,463

Secretary of State
Items Not Included in Recommendations - Senate

Section 5

		2024-25 Biennial Total			Information Technology Involved?	Contracting Involved?	Estimated Continued Cost 2026-27
		GR & GR-D	All Funds	FTEs			
10)	Document Filing Staff Augmentation. Agency request to add three temporary FTEs to fill in for lost staff time as permanent staff assist continued transition from BEST system.	\$1,080,003	\$1,080,083	3.0	No	No	\$112,000
11)	IT Staff Augmentation and Enhancements. Agency request to add two additional FTEs in the IT division for information system security and to provide raises and reclassifications for existing staff.	\$899,999	\$899,999	2.0	No	No	\$918,884
12)	Fleet Vehicle Replacement. Agency request for replacement of 25-year old fleet vehicle used for Capitol area deliveries.	\$30,000	\$30,000	0.0	No	No	\$0

Agency Rider Requests Not Included

1)	Agency request for addition of a rider that would appropriate receipts of certain online fees collected from credit card transactions between 2004 and 2021. The agency received these fees for the purpose of maintaining and updating the security of the online payment portal. Since fiscal year 2021, the agency has been unable to access an existing balance of collected fees or to collect fees for current transactions. The rider would also appropriate any fees collected in the future.	\$0	\$1,456,094	0.0	No	No	\$0
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TOTAL Items Not Included in Recommendations		\$55,292,556	\$56,748,730	93.0			\$26,202,885
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**Secretary of State
Appendices - Senate**

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

Strategy/Goal	2022-23 Base	2024-25 Recommended	Biennial Change	% Change	Comments
DOCUMENT FILING 1.1.1	\$13,433,517	\$11,388,280	(\$2,045,237)	(15.2%)	Decrease of \$1,966,628 in Appropriated Receipts due to the loss of online credit card fees no longer collected and a reduction in General Revenue of \$78,609 in other operating costs.
DOCUMENT PUBLISHING 1.2.1	\$872,412	\$946,648	\$74,236	8.5%	Decrease of \$30,000 in Appropriated Receipts due to lower fee collection from publication fees offset by an increase of \$104,236 in General Revenue due to higher operational costs.
Total, Goal 1, INFORMATION MANAGEMENT	\$14,305,929	\$12,334,928	(\$1,971,001)	(13.8%)	
ELECTIONS ADMINISTRATION 2.1.1	\$16,999,612	\$16,999,612	\$0	0.0%	
PRIMARY FUNDING/VR POSTAGE 2.1.2	\$16,778,590	\$16,778,590	\$0	0.0%	
CONSTITUTIONAL AMENDMENTS 2.1.3	\$3,195,126	\$1,593,299	(\$1,601,827)	(50.1%)	Reduction in General Revenue due to anticipated decrease in the number of amendments on the November 2024 ballot.
ELECTIONS IMPROVEMENT 2.1.4	\$62,109,798	\$6,144,706	(\$55,965,092)	(90.1%)	Reduction of a total of \$17,721,272 in Federal Help America Vote Act (HAVA) funds, \$38,300,000 in General Revenue for auditable voting machines, and \$60,000 in General Revenue-Dedicated Fund 5095 for reduction in interest from Federal grants. These reductions were offset by an increase of \$116,180 in General Revenue for a state match for HAVA award as required under Rider 15, 2018 Help America Vote Act State Matching Funds and provided under Rider 17, Funding Increases for the 2022-23 Biennium.
FINANCING VOTER REGISTRATION 2.1.5	\$5,777,500	\$5,777,500	\$0	0.0%	
Total, Goal 2, ADMINISTER ELECTION LAWS	\$104,860,626	\$47,293,707	(\$57,566,919)	(54.9%)	
PROTOCOL/BORDER AFFAIRS 3.1.1	\$500,828	\$500,828	\$0	0.0%	
Total, Goal 3, INTERNATIONAL PROTOCOL	\$500,828	\$500,828	\$0	0.0%	
INDIRECT ADMINISTRATION 4.1.1	\$30,503,053	\$14,222,629	(\$16,280,424)	(53.4%)	Reduction in General Revenue of \$17,452,644 in one-time costs for the BEST Legacy Modernization project and Appropriated Receipts by \$287,800. These reductions offset by an increase of \$1,460,020 in General Revenue for costs related to the replacement of information technology on a five-year schedule and other operating expenses.
Total, Goal 4, INDIRECT ADMINISTRATION	\$30,503,053	\$14,222,629	(\$16,280,424)	(53.4%)	

Secretary of State					
Funding Changes and Recommendations by Strategy - Senate -- ALL FUNDS					
Strategy/Goal	2022-23 Base	2024-25 Recommended	Biennial Change	% Change	Comments
SALARY ADJUSTMENTS 5.1.1	\$0	\$2,214,324	\$2,214,324	100.0%	Increase in General Revenue for the statewide salary adjustments.
Total, Goal 5, SALARY ADJUSTMENTS	\$0	\$2,214,324	\$2,214,324	100.0%	
Grand Total, All Strategies	\$150,170,436	\$76,566,416	(\$73,604,020)	(49.0%)	

Secretary of State
Summary of Federal Funds - Senate
(In Millions)

Program	Est 2022	Bud 2023	Rec 2024	Rec 2025	2022-23 Base	2024-25 Rec	2024-25 Rec % Total	Recommended Over/(Under) Base	% Change from Base
HAVA Election Security Grants ¹	\$ 11.3	\$6.4	\$0.0	\$0.0	\$17.7	\$0.0	0.0%	(\$17.7)	(100.0%)
TOTAL:	\$11.3	\$6.4	\$0.0	\$0.0	\$17.7	\$0.0	100.0%	(\$17.7)	(100.0%)

¹Please see Section 3, Item 1.

Secretary of State
FTE Highlights - Senate

Full-Time-Equivalent Positions	Expended 2021	Actual 2022	Budgeted 2023	Recommended 2024	Recommended 2025
Cap	203.0	207.0	207.0	223.5	223.5
Actual/Budgeted	175.0	181.5	207.0	NA	NA

Schedule of Exempt Positions (Cap)					
Secretary of State, Group 5	\$197,415	\$197,415	\$197,415	\$197,415	\$197,415

Note:

a) The State Auditor's Office Report *Executive Compensation at State Agencies* (Report 20-706, August 2022) does not report market average salary 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.

b) Increase in FTE cap is due to the addition of 16.5 FTEs for the implementation of election integrity audits as a result of Senate Bill 1, Eighty-seventh Legislature, Second Called Session.

c) The State Auditor's Office is the source for the fiscal year 2021 and fiscal year 2022 annual average (actual) FTE levels.