



KATIE HOBBS
SECRETARY OF STATE
State of Arizona

The Secretary of State's fiscal year 2022 budget request is inextricably tied to the agency's fiscal year 2021 budget request. The fiscal year 2021 budget request was the first budget submission done under my administration and it covered a lot of ground. At the center of the request was a puzzling and financially detrimental decision by the previous administration to enter into a contract with Iron Mountain to store the state's records, leaving our office upside down by almost \$600,000 in payments to a third party vendor, with three state owned warehouses empty, and the rent still on the agency's books. There was more, including IT systems that needed significant attention, years of mismanagement and irresponsible oversight of public resources, the need for adequate Election funding, and ultimately an operating deficit that had to be addressed.

Over the last year, we have worked with the Governor's office, the Department of Administration, and the legislature to obtain a rent exemption and develop a plan for the three empty warehouses. Our office is in the process of vacating the front offices of the building, using donation funds that sat unused for years due to lack of accounting and administration of the funds, so that the facility may be sold, leased, or utilized in whatever way is in the state's best interest. We are taking advantage of grants and monies freed up thanks to the rent to address the structural deficit that prevented my office from addressing both short-term and long-term needs of the department. We have begun to fund IT projects, work on tenant improvements, address salary disparities, and address budgetary needs as they come up, such as meeting the moment of transitioning a majority of our staff to remote working in response to the COVID-19 pandemic. We have increased prices for records storage so that there is enough cash coming into the Records Services Fund to cover the costs of the Iron Mountain contract and the program's internal operating costs. The work of the last year has largely been aimed at correcting course by cleaning up administrative operations, with a concentration on working in partnership at every level of the state and building a new foundation to work from where the focus isn't how to clean up a huge mess, but instead is about digging into the operations of this agency and realizing where improvements are needed. This work led us to a more relevant view of where the agency is most vulnerable and what is required to operate at our best in fiscal year 2022 and beyond.

My goal while developing fiscal year 2022 funding issues was to focus on advancing our operations and addressing unavoidable matters, while being realistic about the pandemic related recessionary issues that the state is facing and limiting our request for additional General Fund monies.

Our budget issues continue to address the issues that were raised last year: revenues generated by the records program haven't been appropriated, leaving us without the ability to pay our bills; election litigation funding has run out at the most critical time – in the presidential year of the four-year election cycle; federal Help America Vote Act (HAVA) grants haven't been appropriated; the state's contract for the petition processing system expires in December 2020;

1700 West Washington Street, Floor 7
Phoenix, Arizona 85007-2808
Telephone (602) 542-4285 Fax (602) 542-1575
www.azsos.gov

and the Address Confidentiality Program should stop its reliance on punitive fees that disproportionately impact low income individuals and people of color.

I would also like to take this opportunity to address a significant challenge facing this department that has become abundantly clear during my administration: this agency is severely understaffed. Our Elections, Business Services, and support divisions including IT, Communications, and Administration would all benefit greatly from 50-100% more staff. Additionally, the professional staff we do have are not paid competitively for the positions they hold (similarly situated positions in county and city governments make considerably more than state staff), which makes retention and recruitment for vacant positions challenging. Our staff are being asked to do more work for less money, and that takes its toll on the department and the staff. In many cases, positions have no backup or staffing redundancies, and there simply isn't the capacity or enough staff to cross train within departments. Our ability to meet statutory deadlines is impacted, and staff feel like they can never get ahead. It has been terrifying thinking of what we would do if the department were to be hit by COVID-19 this election year. Due to the anticipated budget challenges related to the pandemic, I am not including this as a funding issue this fiscal year, but it is something that must be addressed in the future.

Lastly, we have serious concerns that the fiscal year 2021 special line item for Elections Services is underfunded. Our fiscal year 2021 budget request was for \$5,239,700, but the passing of the skinny budget resulted in level funding, or a \$4,000,000 appropriation, while the number of registered voters has increased significantly since the last presidential election year, and voter turnout is again expected to exceed previous records. While it is not included in this budget submission, we expect to submit a supplemental funding request once the actual expenses are settled.

My administration has worked hard to improve the Secretary of State's office and received immeasurable support in the process. I will continue to speak out and work in partnership with others in the state to provide the agency with the tools it needs to be successful and look forward to continuing to raise the standards of our operations, with principled use and proper management of public resources at the core of all that we do.

Sincerely,



Katie Hobbs
Secretary of State