



OFFICE OF THE SECRETARY OF STATE

PO BOX 202801  
HELENA MT 59620-2801  
www.sos.mt.gov  
(406) 444-2304  
(406) 444-3976 (FAX)  
(406) 444-9068 (TTY)

Linda McCulloch  
Secretary of State

EXHIBIT 2  
DATE 1/20/11  
HB Sec of State

## Anticipated & Unexpected Fiscal Obligations for the Office of the Secretary of State

Fiscal Obligation	Estimated Cost
<p>Remaining contracted costs for the replacement of the office's 1978 business service filing system (SIMS).</p> <ul style="list-style-type: none"> <li>SOS is currently in the first phase of an ITSD approved and signed contract to update this antiquated and paper-based filing system. Three phases remain.</li> <li>This project was developed and agreed to by the previous administration.</li> <li>Upon taking office, Secretary McCulloch was able to downsize the contract by \$1,100,000.</li> </ul>	\$2,300,000
<p>SOS costs associated with the development and implementation of SIMS, which are not included in the signed contract.</p> <ul style="list-style-type: none"> <li>This includes costs for things such as additional computer hardware needs and staffing.</li> </ul>	\$600,000
<p>Estimated cost of digitizing original paper-based business filing documents dating back to statehood.</p> <ul style="list-style-type: none"> <li>SIMS will require that all business filings with SOS be available in a digital form.</li> </ul>	\$800,000+
<p>Northrop-Grumman (NG) annual cost for maintaining the current business filing system until SIMS is operational.</p> <ul style="list-style-type: none"> <li>NG is the only contractor in Helena willing to maintain the 1978 business filing system. They currently charge \$117/hr for service. This charge includes not only actual work done to the system, but also includes costs for creating estimates required in legislative fiscal notes.</li> </ul>	\$100,000 – Annually
<p>Northrop-Grumman billing associated with implementing SOS affected legislation that passes in FY'11.</p> <ul style="list-style-type: none"> <li>In FY'09, 6 separate bills had a total fiscal note to SOS of \$1,314,090. Had any of these bills passed, SOS would have had to pay the cost of implementation without assistance from the general fund.</li> </ul>	\$1,314,090 – '09 Session
<p>Annual maintenance costs of the Statewide Voter File, as mandated by the federal Help America Voter Act (HAVA) of 2002. Montana's share of federal HAVA monies is expected to be depleted by 2012. No additional federal funds are anticipated to be allocated by Congress.</p>	\$800,000 – Annually

<p>Cost of completing the online Administrative Rules System.</p> <ul style="list-style-type: none"> <li>SOS canceled the contract of the previous administration after 64 fatal errors were detected by ITSD. At the time, the system was hosted in Florida. SOS has since moved the system to within state government servers here in Montana.</li> <li>The system is now run in-house by SOS and awaiting next steps on development.</li> </ul>	\$180,000
SOS compliance with the state pay-plan (as currently proposed) for FY '12 & FY '13.	\$79,709
<p>SOS Employee Retirement Payout Liability (leave payouts)</p> <ul style="list-style-type: none"> <li>SOS has 15 current employees (25% of the entire SOS staff) who have worked for the State of Montana for over 20 years, and could potentially retire at anytime.</li> </ul>	\$149,226
ITSD has notified SOS to expect an increase in service costs for FY '12 & FY '13.	\$148,000
Likely Increase in All Fixed Costs Charged by the State	Unknown
<p>Scheduled computer equipment replacement.</p> <ul style="list-style-type: none"> <li>To cut spending in 2009, SOS canceled the regularly scheduled replacement of all office desktop computers – extending the life of the current desktops by at least one year. Full replacement will become necessary in the next couple years.</li> </ul>	\$66,000
<p>Potential decrease in business filing revenue in a future fiscal year.</p> <ul style="list-style-type: none"> <li>During the recent recession, SOS experienced a 13% drop in business filings during that fiscal year. To continue operations and avoid having to either borrow money or request funding from the legislature, SOS was able to use the cash fund balance.</li> </ul>	Unknown
<p>Temp staffing to tally and approve ballot initiative signatures in 2012.</p> <ul style="list-style-type: none"> <li>In 2010, SOS received 26 ballot initiative submissions. 11 of those submissions were approved for signature gathering. 3 qualified for the ballot. SOS expects even more submissions for 2012</li> <li>There is no filing fee for ballot initiatives that would cover these administrative costs. All processing costs are paid by SOS.</li> </ul>	Unknown
Major unexpected repair and maintenance of SOS's two leased buildings that house the Notary, Administrative Rules, IT, and Records Management Divisions.	Unknown