

Agency Budget Comparison

The following table compares 2014 actuals expenditures without one-time appropriations plus 2015 estimated appropriations including one-time appropriations, but excluding certain base appropriations to the 2017 biennial total legislative budget. The comparison is listed by year, type of expenditure, and source of funding. The biennial percent change column has been eliminated to allow for the transition to a comparison of biennial appropriations consistent with SB 140 in the future. The biennial appropriation growth/decline is listed in the agency highlight tables and the expenditure section of Volume 1 of this Fiscal Report.

Agency Budget Comparison							
Budget Item	Base Fiscal 2014	Approp. Fiscal 2015	Legislative Budget 2016	Legislative Budget 2017	Biennium Fiscal 14-15	Biennium Fiscal 16-17	Biennium Change
FTE	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Personal Services	0	48,000	0	0	48,000	0	(48,000)
Operating Expenses	0	60,000	105,000	105,000	60,000	210,000	150,000
Equipment & Intangible Assets	0	0	0	0	0	0	0
Grants	0	20,000	0	0	20,000	0	(20,000)
Total Costs	\$0	\$128,000	\$105,000	\$105,000	\$128,000	\$210,000	\$82,000
Federal Spec. Rev. Funds	0	128,000	105,000	105,000	128,000	210,000	82,000
Total Funds	\$0	\$128,000	\$105,000	\$105,000	\$128,000	\$210,000	\$82,000

Agency Description

Agency Mission: It is the mission of the Secretary of State to provide efficient services to Montana's voters, business community, and governmental agencies through open communications, effective use of technology, and transparent accountability.

The Secretary of State's Office (SOS):

- Interprets state election laws and oversees state and federal elections
- Maintains the official records of the executive branch and the acts of the legislature
- Reviews, maintains, and distributes public-interest records of businesses and nonprofit organizations
- Publishes administrative rules adopted by state departments, boards, and agencies
- Attests to the Governor's signature on executive orders, proclamations, resolutions, extradition papers, and appointments
- Preserves the state seal
- Files and maintains records of secured financial transactions, such as liens
- Provides public records management guidance and technical assistance
- Serves on the state Board of Land Commissioners, Capital Finance Advisory Council, and the Board of Examiners
- Commissions notaries public

The Secretary of State's Office consists of one program, the Business and Government Services Program, which provides all the functions of the office.

Agency Highlights

Secretary of State Major Budget Highlights
<ul style="list-style-type: none"> • The 2015 biennium legislative appropriation to the 2017 biennium legislative appropriation decreased by 18.0%. • No FY 2014 ongoing funding exists for the office as the 2013 Legislature designated the \$256,000 in federal Help America Vote Act (HAVA) funds appropriated for the 2015 biennium as one-time-only (OTO) • The legislature provided HB 2 funding for operating costs associated with elections with HAVA funds and has again designated those funds as OTO • The remainder of the office funding is derived from non-budgeted proprietary funds which are not reflected in the preceding table

Summary of Legislative Action

Since the 1993 Legislature enacted HB 549, the majority of the operations of the Secretary of State's Office have been funded through proprietary funds and as such have not been included in HB 2. In the 2017 biennium the legislature approved \$210,000 in federal Help America Vote Act (HAVA) funds to provide grants to counties for continued voting equipment improvements.

Agency Discussion

In the 2015 biennium the legislature provided a biennial appropriation of \$256,000 from the Help America Vote Act (HAVA) funds to provide grants to counties for continued voting equipment improvements. HAVA was passed by Congress in the wake of the controversial 2000 presidential election in Florida. The 2013 Legislature designated the HAVA funds as one-time-only for the 2015 biennium. As a result, the agency budget comparison table does not reflect funding in FY 2014.

The legislature provided \$105,000 each year of the biennium for unallocated operating expenses to meet federal requirements included in the federal act.

Funding

The following table shows agency funding by source of authority. Funding for each program is discussed in detail in the individual program narratives that follow.

Total Secretary of State Funding by Source of Authority 2017 Biennium Budget - Secretary of State						
Funds	HB2	Non-Budgeted Proprietary	Statutory Appropriation	Total All Sources	% Total All Funds	
General Fund	0	0	0	0	0.00 %	
State Special Total	0	0	0	0	0.00 %	
Federal Special Total	210,000	0	0	210,000	1.68 %	
Proprietary Total	0	12,306,103	0	12,306,103	98.32 %	
Other Total	0	0	0	0	0.00 %	
Total All Funds	\$210,000	\$12,306,103	\$0	\$12,516,103		
Percent - Total All Sources	1.68 %	98.32 %	0.00 %			

The operations of the Secretary of State's Office are primarily funded with proprietary funds derived from fees for services, document sales, and other fees established in statute. For further discussion regarding these funds refer to the "Proprietary Rate" section of the narrative.

In recent years, the federal Help America Vote Act of 2002 has provided federal revenues for election reform initiatives. Since expenditure of HAVA interest funds in the base were designated as one-time-only, these expenditures were removed from the base and not base exists. Interest accrued on deposit of HAVA funds remains unspent and funding from these funds is proposed for the 2017 biennium.

Budget Summary by Category

The following summarizes the total budget utilizing the FY 2015 legislative base, present law adjustments, and new proposals.

Budget Summary by Category								
Budget Item	-----General Fund-----				-----Total Funds-----			
	Leg. Budget Fiscal 2016	Leg. Budget Fiscal 2017	Leg. Biennium Fiscal 16-17	Percent of Budget	Leg. Budget Fiscal 2016	Leg. Budget Fiscal 2017	Leg. Biennium Fiscal 16-17	Percent of Budget
2015 Budget	0	0	0	0.00 %	0	0	0	0.00 %
PL Adjustments	0	0	0	0.00 %	0	0	0	0.00 %
New Proposals	0	0	0	0.00 %	105,000	105,000	210,000	100.00 %
Total Budget	\$0	\$0	\$0		\$105,000	\$105,000	\$210,000	

As discussed in the Agency Discussion narrative, HAVA funding was designated as one-time-only for FY 2014, resulting in a new proposal request to reinstate federal funding for the 2017 biennium.

Other Legislation

HB 4 - The legislature authorized all FY 2015 federal budget authority for the Help America Vote Act to continue into federal FY 2017. In addition all FY 2015 federal budget authority for the Voting Experience of Uniformed and Overseas Citizens Absentee Voting Act was authorized to continue into FY 2017.

HB 258 - The legislature created the Montana Benefit Corporation Act authorizing and regulating the formation and governance of benefit corporations. According to the bill's fiscal note, the Secretary of State's Office business filing database will require a programming change to comply with the new requirements at a cost of \$7,000. The legislature did not fund the changes.

SB 41 - The legislature removed the requirement to list the "Date of First Use" for an Assumed Business Name and Limited Liability Partnership. According to the bill's fiscal note, the Secretary of State's Office will require an additional programming change to the business filing database to remove the required entry in the "Date of First Use" data entry field. In addition charges for dialogs and unit testing are anticipated. Total estimated costs for the changes are \$3,625. The legislature did not fund the changes.

SB 307 - The legislature revised statutes that recognize foreign business entities to include entities formed under laws of federally recognized Indian tribes. According to the bill's fiscal note, the Secretary of State's Office business filing database will need another programming change to include these changes at a cost of \$12,375. The legislature did not fund the changes.

Executive Budget Comparison

The following table compares the legislative budget for the 2017 biennium to the budget requested by the Governor, by type of expenditure and source of funding.

Executive Budget Comparison								
Budget Item	Base Budget Fiscal 2014	Executive Budget Fiscal 2016	Legislative Budget Fiscal 2016	Leg — Exec. Difference Fiscal 2016	Executive Budget Fiscal 2017	Legislative Budget Fiscal 2017	Leg — Exec. Difference Fiscal 2017	Biennium Difference Fiscal 16-17
FTE	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Personal Services	0	0	0	0	0	0	0	0
Operating Expenses	0	105,000	105,000	0	105,000	105,000	0	0
Equipment & Intangible Assets	0	0	0	0	0	0	0	0
Grants	0	0	0	0	0	0	0	0
Total Costs	\$0	\$105,000	\$105,000	\$0	\$105,000	\$105,000	\$0	\$0
Federal Spec. Rev. Funds	0	105,000	105,000	0	105,000	105,000	0	0
Total Funds	\$0	\$105,000	\$105,000	\$0	\$105,000	\$105,000	\$0	\$0

The legislative budget for the office is unchanged from that proposed by the executive.

New Proposals

The "New Proposals" table shows the adopted changes from the FY 2015 legislative appropriation. Each is discussed in the narrative that follows.

New Proposals	-----Fiscal 2016-----					-----Fiscal 2017-----				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 100002 - HAVA Interest - (Restricted/OTO)	0.00	0	0	105,000	105,000	0.00	0	0	105,000	105,000
Total	0.00	\$0	\$0	\$105,000	\$105,000	0.00	\$0	\$0	\$105,000	\$105,000

**Total Funds" amount includes funding from sources other than General Fund, State Special, or Federal Special (i.e. Proprietary).

DP 100002 - HAVA Interest - (Restricted/OTO) -

The legislature provided authority for interest generated from federal Help America Vote Act (HAVA) funds as an one-time-only, restricted appropriation. HAVA money assists the office and counties with HAVA regulations and compliance.

Other Issues

Proprietary Rates

Business and Government Services - 06053

Program Description

The Secretary of State conducts its daily operations through a single program, the Business and Government Services Program. It provides the following major functions:

- Election administration
- Registration and document filing of Montana businesses
- Publication and distribution of administrative rules
- Records management of public documents generated by state and local governments
- Centralized services for the Secretary of State’s Office

While for budgeting purposes the SOS only has one program, SOS does have five divisions, one for each of the described functions above.

Program Discussion

Revenues

Revenues are received from fees charged to: 1) businesses and corporations for corporate filings, registration of assumed business names, and trademarks; 2) state agencies and users of ARM for publishing and distributing the ARM and the MAR, and storage and management of public documents; 3) candidates who file for elections; 4) Montana citizens who apply to be notaries. Revenues, by source, have been steadily increasing since FY 2009 and are not projected to deviate from this pattern.

This program is funded with an enterprise type proprietary fund. As such, the legislature does not appropriate funds or approved rates for the program. Instead, the legislature reviews the report for the enterprise fund and identifies any concerns with the financial position of the fund.