

**Agency Legislative Budget**

The following table summarizes the total proposed budget for the agency by year, type of expenditure, and source of funding.

Agency Legislative Budget								
Budget Item	Base Budget Fiscal 2006	PL Base Adjustment Fiscal 2008	New Proposals Fiscal 2008	Total Leg. Budget Fiscal 2008	PL Base Adjustment Fiscal 2009	New Proposals Fiscal 2009	Total Leg. Budget Fiscal 2009	Total Leg. Budget Fiscal 08-09
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	0	0	0	0	0	0	0
Equipment	0	0	0	0	0	0	0	0
Grants	0	0	1,040,000	1,040,000	0	0	0	1,040,000
<b>Total Costs</b>	<b>\$0</b>	<b>\$0</b>	<b>\$1,040,000</b>	<b>\$1,040,000</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$1,040,000</b>
Federal Special	0	0	1,040,000	1,040,000	0	0	0	1,040,000
<b>Total Funds</b>	<b>\$0</b>	<b>\$0</b>	<b>\$1,040,000</b>	<b>\$1,040,000</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$1,040,000</b>

**Page Reference**

Legislative Budget Analysis, A-71

**Executive Budget Comparison**

The following table compares the proposed budget for the 2009 biennium to the budget requested by the Governor, by type of expenditure and source of funding.

Executive Budget Comparison								
Budget Item	Base Budget Fiscal 2006	Executive Budget Fiscal 2008	Legislative Budget Fiscal 2008	Leg – Exec. Difference Fiscal 2008	Executive Budget Fiscal 2009	Legislative Budget Fiscal 2009	Leg – Exec. Difference Fiscal 2009	Biennium Difference Fiscal 08-09
FTE	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	0	0	0	0	0	0	0
Equipment	0	0	0	0	0	0	0	0
Grants	0	1,040,000	1,040,000	0	0	0	0	0
<b>Total Costs</b>	<b>\$0</b>	<b>\$1,040,000</b>	<b>\$1,040,000</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>
Federal Special	0	1,040,000	1,040,000	0	0	0	0	0
<b>Total Funds</b>	<b>\$0</b>	<b>\$1,040,000</b>	<b>\$1,040,000</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

The budget in this bill for the Secretary of State is the same as the executive budget.

**Agency Highlights**

Office of Secretary of State Major Budget Highlights
<ul style="list-style-type: none"> <li>◆ Funding to expend interest revenue of Help America Vote Act of 2002 funds adds \$1.0 million federal funds</li> <li>◆ The remainder of the office’s funding is derived from non-budgeted proprietary funds</li> </ul>

**Funding**

The operations of the Secretary of State are primarily funded with proprietary funds derived from fees for services, document sales, and other fees established in statute. In recent years, the federal Help America Vote Act of 2002 (HAVA) provided federal special revenue for election reform initiatives. Since expenditure of HAVA funds in the base were via budget amendment authority, no base exists for original grant funds. Interest accrued on deposit of HAVA funds remains unspent and is included for the 2009 biennium as part of this bill. As such, tables for this bill show only HAVA funds derived from interest revenues from the grant proceeds.

The primary operations of the Office of Secretary of State are funded from enterprise proprietary funds derived from fees charged for the various services, document sales, and products of the office. Fees of the office are established in administrative rule or state law.

Because the office is funded with enterprise funds, the legislature does not appropriate funds or approve, in this bill, the level of fees and charges. The legislature accepts and identifies any concerns with a report on the enterprise fund that includes retained earnings and contributed capital, projected operations and charges, and projected fund balances. The proprietary fund and supported operations are discussed below in the Proprietary Rates section.

**New Proposals**

New Proposals	Fiscal 2008					Fiscal 2009					
	Program	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 4 - Help America Vote Act-Biennial											
01	0.00	0	0	1,040,000	1,040,000	0.00	0	0	0	0	0
<b>Total</b>	<b>0.00</b>	<b>\$0</b>	<b>\$0</b>	<b>\$1,040,000</b>	<b>\$1,040,000</b>	<b>0.00</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

DP 4 - Help America Vote Act-Biennial – Included is an increase of \$1,040,000 federal special revenue to provide grants to counties for assistance in completing election reforms of the Help America Vote Act of 2002. The funding is designated as a biennial appropriation.

**Proprietary Rates**

**Proprietary Program Description**

The Office of the Secretary of State conducts its daily operations through a single program, the Business and Government Services Program. The office stores, accesses, microfilms, scans, preserves, and disposes of public documents generated by state and local governments. The office administers corporate filings, registers assumed names and trademarks, processes notary public registrations, and administers the Administrative Rules of Montana (ARM) and the Montana Administrative Register (MAR). The office reviews, approves, maintains, and distributes records of business and nonprofit organizations, and registers and maintains records of secured financial transactions under the Uniform Commercial Codes, including agricultural products, in accordance with the Federal Food Security Act of 1985. The Secretary of State serves as Montana's chief election official and is responsible for the interpretation of application of election laws, except those pertaining to campaign finance. The office also qualifies candidates for the ballot, qualifies initiatives and referendums for the ballot, certifies the language and form of the ballot, publishes the official state voter-information pamphlet, conducts the official canvass of election results, and trains local election officials. The office administers the election reform requirements of the federal Help America Vote Act of 2002.

**Proprietary Revenues and Expenses**

The Office of the Secretary of State administers one proprietary fund. Revenue is received from fees charged to: 1) state agencies for managing agency records; 2) businesses and corporations for corporate filings, and registration of assumed business names and trademarks; 3) state agencies and users of the Administrative Rules of Montana (ARM) for publishing and distributing the ARM and the Montana Administrative Register (MAR); 4) candidates who file for elections; and 5) Montana citizens who apply to be notaries.

Revenue from intra-state service fees are expected to increase by about 41 percent from FY 2006 to FY 2008 due to: 1) a fee increase to keep fees commensurate with costs; and 2) an accounting change in which revenue will be recorded under a different category in the 2009 biennium than they were recorded in FY 2006.

Administrative fees revenue are expected to increase by 68 percent from FY 2006 to FY 2008 due to: 1) an accounting change, triggered by an audit, will result in recording gross revenues and associated service fee expenses, and not just net revenues, for electronic government Internet services administered through Montana Interactive; and 2) the addition of a new uniform commercial code bulk service fee.

The Office of the Secretary of State expended 65 percent of its FY 2006 enterprise funds on personal services and 35 percent on operations. The total expenses in FY 2006 were \$3.5 million.

The proposed budget for this office shows expenses greater than anticipated revenues. This will not cause a deficit situation due to revenues exceeding expenses during the past few years resulting in a positive fund balance. The fund balance increase has largely resulted from a significant increase in business filings. The office is mandated by statute to set fees commensurate with the cost of the office. The office has allowed the fund balance to increase, rather than reduce fees, to satisfy the funding required to implement several technology improvement projects. These projects account for the operating expense growth from FY 2006 to FY 2008 and are currently in various stages of planning and implementation. As these projects are implemented the fund balance will decline and the office will review fees to determine if changes need to be made to maintain revenue commensurate with the cost of the office.

**Proprietary Rate Explanation**

Rates are based upon an estimate of the cost to provide each individual service and a comparison of fees charged for similar services in other states. Fees are set in state statute or established through the Montana Administrative Procedure Act. Because the proprietary funded portion of the program is funded with an enterprise type proprietary fund, the legislature does not approve fees in this bill.