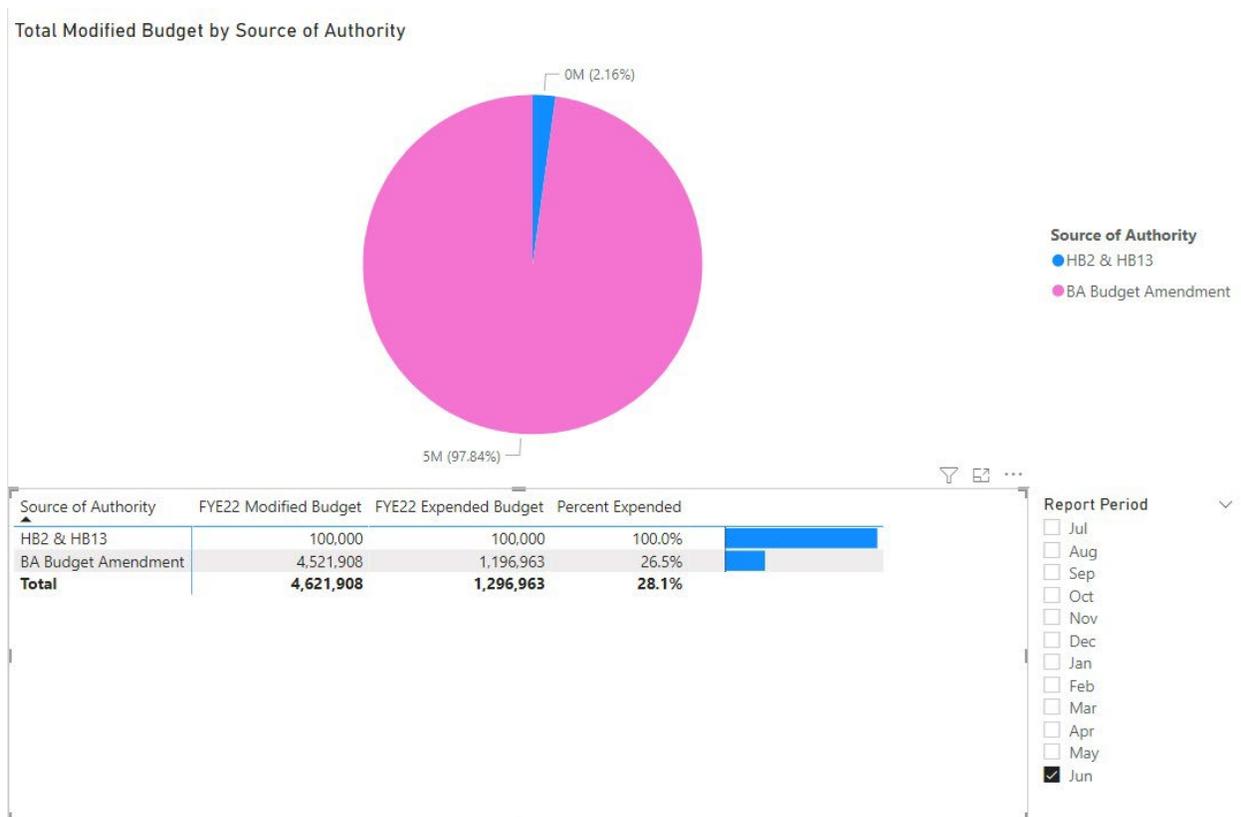


SECRETARY OF STATE (SOS)

TOTAL APPROPRIATION AUTHORITY

The total appropriation authority for the agency is shown in the pie chart below. HB 2 and HB 13 provide 2.2% of the total authority for this agency. All types of appropriation authority for this agency are described below, including total budget and the percent expended by source of authority.



Budget Amendments

In June 2018, the Secretary of State was awarded \$3.0 million through the Omnibus Appropriations Act of 2018 for election security. In FY 2022, \$1.7 million of the funding remains. The U.S. Election Assistance Commission has approved the state allocation of the remaining funds, as follows:

- \$11,997 in personal services
- \$1.5 million for ElectMt system development
- \$95,849 in grants to counties

These federal funds are authorized until September 2024. As of June 30, 2022, \$778,405 or 47.2% of the FY 2022 funds were expended.

In January 2020, the Secretary of State was awarded an additional \$3.1 million through the federal Omnibus Appropriations Act of 2020 for election security. In FY 2022, \$1,871,525 of the funding remains. The U.S. Election Assistance Commission has approved the state allocation of the remaining funds, as follows:

- \$254,372 in personal services
- \$896,781 in grants to counties for voting equipment replacement and upgrades, election auditing, voting registration systems and management, cyber vulnerabilities, training, and communication
- \$200,000 in operating expenses for risk assessments
- \$520,372 in operating expenses for indirect and administrative costs

These federal funds are authorized until September 2024. As of June 30,2022, \$418,559 or 22.4% of the FY 2022 funds were expended.

In June 2022, SOS was awarded \$1.0 million through the federal Consolidated Appropriations Act, 2022 for improved administration of federal elections, including enhancing election technology and making election security improvements. The U.S. Election Assistance Commission has approved the state allocation of the funds, as follows:

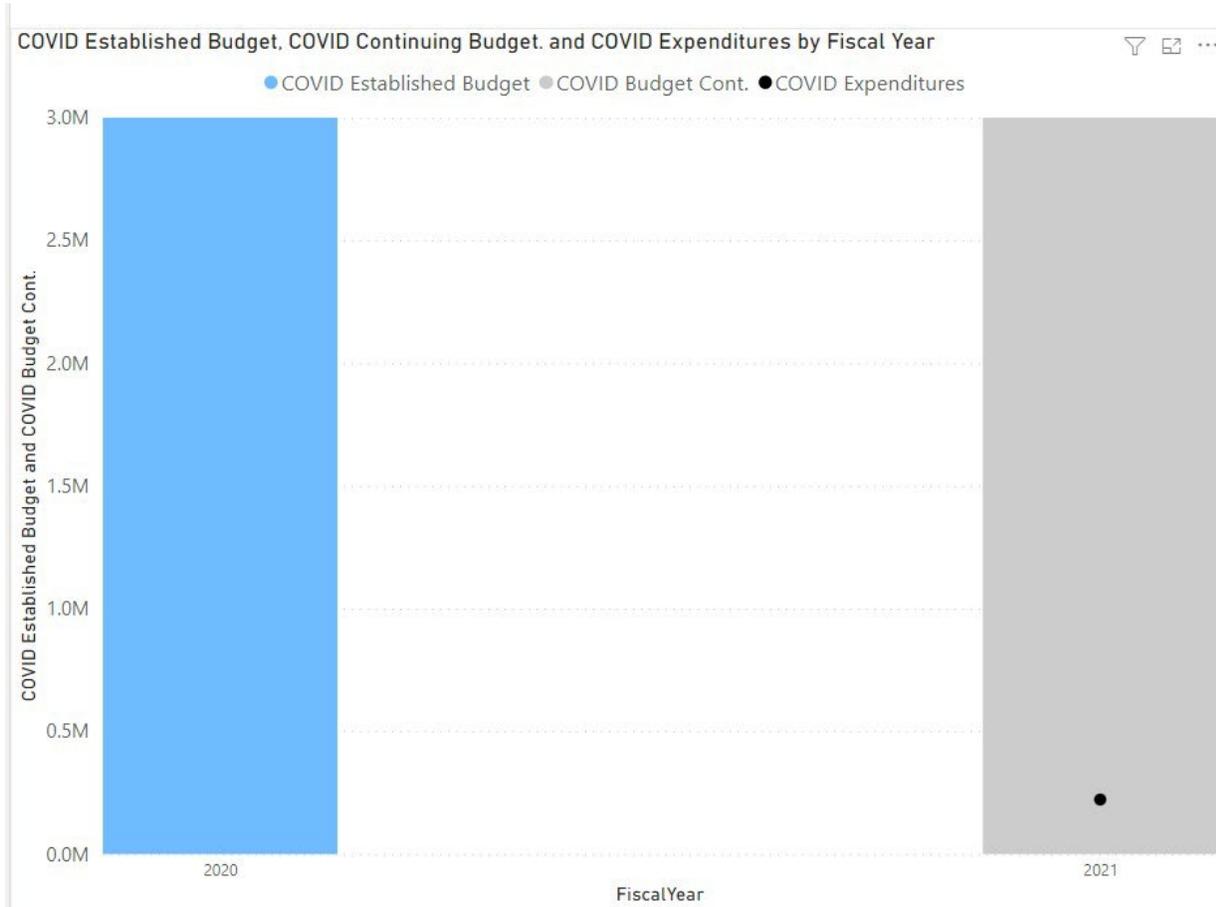
- \$255,858 for software services and other system enhancement to improve the integrity of voter registration
- \$244,142 for indirect and administrative costs including personnel costs associated with information technology security
- \$500,000 for grants to counties

These federal funds are authorized until September 2023. As of June 30,2022, SOS has not expended any of the appropriations.

Other Bills

COVID-19 Authority

The following chart is provided to allow the legislature to examine the funding that is available to the agency for COVID-19 impacts.



SOS received \$3.0 million in funding through the CARES Act to prevent, prepare for, and respond to coronavirus, domestically or internationally, for the 2020 federal election cycle. In FY 2021, SOS expended \$222,373 including:

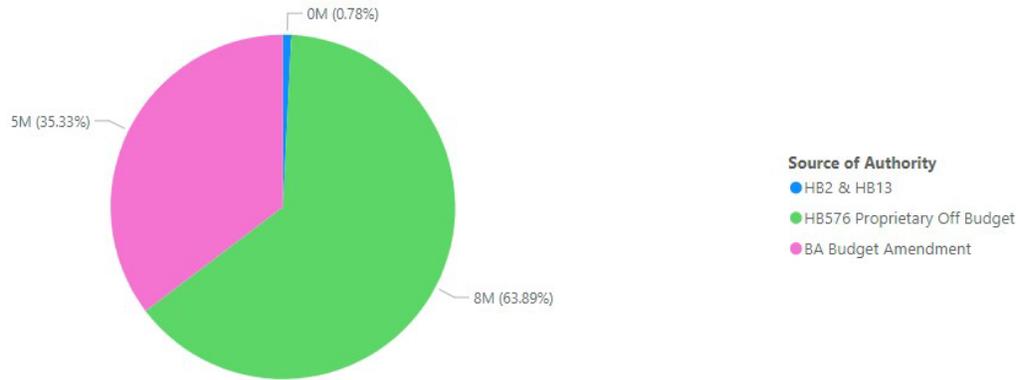
- \$43,775 in operating expenses
- \$178,598 in grants to counties

At the end of FY 2021, \$2.8 million in unexpended CARES Act funds were returned to the U.S. Election Assistance Commission.

TOTAL EXPENDITURE AUTHORITY

The total expenditure authority for the agency is shown in the following pie chart. Total expenditure authority includes non-budgeted proprietary funding and non-budgeted expenditures such as transfers or indirect costs which are not included in the previous pie chart as the expenditures are not appropriated.

Modified Budget and Expended Budget by Source of Authority



Source of Authority	Modified Budget	Expended Budget	Percent Expended
HB2 & HB13	100,000	100,000	100.0%
BA Budget Amendment	4,521,908	1,196,963	26.5%
HB576 Proprietary Off Budget	8,176,766	7,682,959	94.0%
Total	12,798,674	8,979,922	70.2%

Report Period

- Jul
- Aug
- Sep
- Oct
- Nov
- Dec
- Jan
- Feb
- Mar
- Apr
- May
- Jun

The majority of the functions of the office are funded with enterprise type proprietary funds, which are financed through fees and charges paid by public and private entities that by law either purchase services from the department or are required to submit documents or obtain registrations with the office. Unlike internal service type proprietary programs, the rates or the fees and charges are not approved by the legislature but are instead established in statute or administrative rule. Revenues are received from fees charged to:

- Businesses and corporations for corporate filings, registration of assumed business names, and trademarks
- State agencies and users of Administrative Rules of Montana (ARM) for publishing and distributing the ARM and the Montana Administrative Register, and storage and management of public documents
- Candidates who file for elections
- Montana citizens who apply to be notaries

The Secretary of State's Office 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
- Central services for the Secretary of State's Office

The following chart shows the revenues, expenditures, and fund balance for the Secretary of State business services account the revenues, expenditures, and fund balance for the proprietary fund between FY 2018 and FY 2022.

Secretary of State Secretary of State Business Services					
	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022
Beginning Fund Balance	\$643,152	\$1,062,332	\$2,939,337	\$4,604,655	\$7,595,218
Revenue					
Investment Earnings	31,028	77,264	58,631	8,721	13,205
Charges for Services	6,651,318	7,001,795	6,901,036	9,104,731	9,975,415
Grants/Transfers/Misc	73,748	(7,082)	364,432	56,022	41,787
Sale of Documents/Mdse/Prop	<u>64,639</u>	<u>69,850</u>	<u>70,605</u>	<u>92,956</u>	<u>73,672</u>
Total Revenue	6,820,733	7,141,827	7,394,704	9,262,430	10,104,079
Expenditures					
Personal Services	3,068,766	2,859,981	2,912,000	2,836,088	2,766,052
Operating Expenses	2,161,815	2,432,996	2,789,981	3,514,918	5,687,724
Equipment & Intangible Assets	(6,579)	6,579	0	0	0
Transfers Out	410,427	0	0	0	0
Debt Service	0	0	165	432	0
Post Employment Benefits	<u>743,510</u>	<u>225,894</u>	<u>26,600</u>	<u>(79,571)</u>	<u>(300,648)</u>
Total Expenditures	6,377,939	5,525,450	5,728,746	6,271,867	8,153,128
Adjustments	(23,614)	260,628	(640)	0	4,543
Ending Fund Balance	<u>\$1,062,332</u>	<u>\$2,939,337</u>	<u>\$4,604,655</u>	<u>\$7,595,218</u>	<u>\$9,550,712</u>

As shown, the fund balance in the Secretary of State's Office has increased since the beginning of the fiscal year and has been increasing for several years.

The SOS anticipates additional funding will be needed for:

- Replacing the administrative rules system
- Implementing phase II of the Elect MT project
- Enhancing business services system
- Ongoing litigation

In addition, the SOS is currently in the process of reducing fees. On April 29, the Secretary published Montana Administrative Register (MAR) Notice 44-2-257 proposing to amend rules to reduce new business filing fees by 50.0%. Those rule changes adopted on June 25, 2022 with July 1, 2022 effective date are estimated by SOS to save 35,000 small businesses over \$1.1 million annually. In addition, the Secretary proposed MAR 44-2-260 on July 22, 2022 which will also reduce several business filing fees. Those rule changes are anticipated to be adopted on September 16, 2022 and are estimated to save 5,000 businesses over \$124,000 annually.

Proprietary Budget

The following chart shows the proprietary budget for the agency compared to expenditures through June 30, 2022.

Secretary of State Secretary of State Business Services FY 2022			
	Budget	Actual*	% Expended
Expenditures			
Personal Services	\$3,461,392	\$3,179,196	91.8%
Operating Expenses	4,657,924	4,446,321	95.5%
Equipment & Intangible Assets	57,450	57,442	100.0%
Transfers Out	0	0	0.0%
Debt Service	0	0	0.0%
Total Expenditures	<u>\$8,176,766</u>	<u>\$7,682,959</u>	<u>94.0%</u>
* Actual Expenditures in this table reflect program year 2022 only while other figures in this section reflect program years 2021 and 2022 expenditures occurring in FY 2022 In addition, the expenditures are only budgeted expenditures, nonbudgeted expenditures are also reflected in the previous tables			

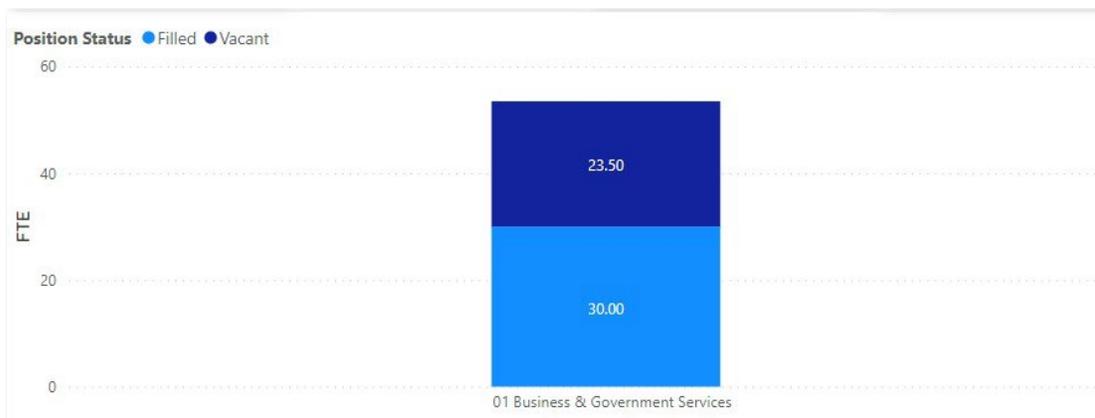
Since May, the SOS adjusted the budget for the proprietary funds to increase authority for operating expenses, including the following changes:

- Transferred \$900,000 in personal services to operating expenses
- Transferred \$2,000 in debt service to operating expenses
- Transferred \$160,000 in transfers out to operating expenses
- Increased operating expenses by an additional \$1,640,000 in enterprise funding

Personal Services

With the changes discussed above, personal services make up 42.3% of budgeted expenditures and were 91.8% expended as of June 30, 2022.

The following chart shows the filled and vacant FTE within the proprietary fund as of August 1, 2022.



As of August 1, 2022, 23.50 FTE or 43.8% of the authorized positions were vacant. Vacancies include:

- 4.00 FTE - customer service assistant
- 3.00 FTE - personal staff
- 2.00 FTE – program supervisor
- 1.75 FTE – accounting technician
- 1.50 FTE – document imaging operator
- 1.00 FTE – accountant
- 1.00 FTE – administrative assistant
- 1.00 FTE – administrative supervisor
- 1.00 FTE – business analyst
- 1.00 FTE – computer, all other
- 1.00 FTE – license technician
- 1.00 FTE – program officer
- 1.00 FTE – program specialist
- 1.00 FTE – records assistant
- 1.00 FTE – warehouse worker
- 0.75 FTE – human resources specialist
- 0.50 FTE – legal secretary

Since August a few of the positions have been filled and SOS has posted other positions on the state’s job site. According to SOS, operational efficiencies gained throughout the organization has reduced the number of FTE needed to staff the various functions within SOS. SOS is prepared a change package as part of the budget submission to reduce the number of authorized positions for the 2025 biennium by 11.50 FTE. The following positions are requested to be eliminated in that request:

- 0.50 FTE – legal secretary
- 0.75 FTE – accounting technician
- 1.00 FTE – license permit technician
- 0.75 FTE – human resource specialist
- 1.00 FTE – program specialist
- 2.00 FTE – customer service assistant
- 1.00 FTE – warehouse worker
- 1.00 FTE – business analyst
- 1.00 FTE – records assistant
- 1.50 FTE – document imaging operator
- 1.00 FTE – computer, all other

Turnover

The Secretary of State hired a number of contingent workers to provide temporary support for specific assignments. In addition to those terminations there have been 12 employees or 22.4% of the FTE that have left employment including:

- 6 that left state employment
- 4 that transferred to another state agency

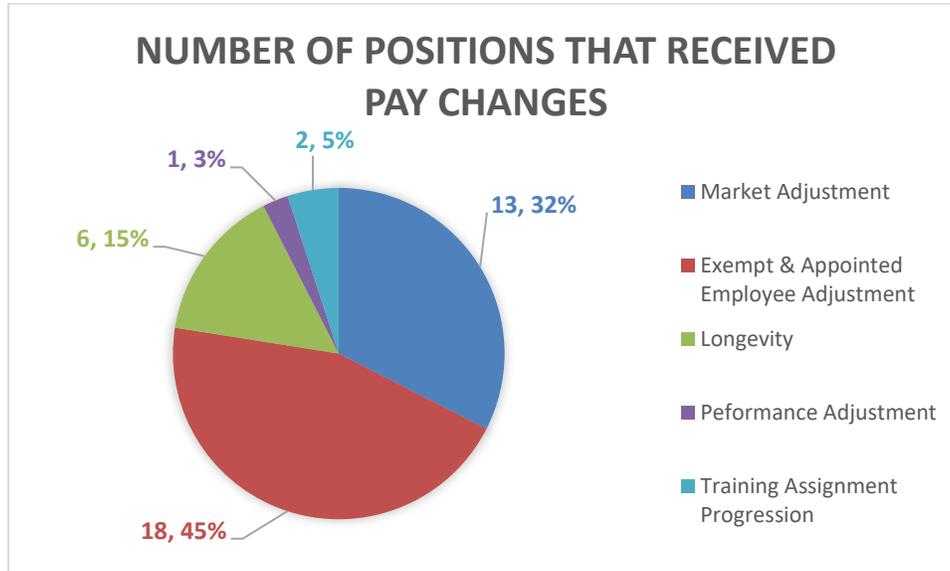
- 2 that retired

Utilization Rate

Of the total personal services hours budgeted in FY 2022, the Secretary of State utilized 60.4% of its FY 2022 personal services hours.

Pay Rate Changes

The following figure shows that pay adjustments within the Secretary of State in FY 2022. The following figure includes both legislatively approved pay changes and management decisions.



According to SOS, the adjustments were made in accordance with the pay plan policy. The policy requires SOS to consider internal equity, external equity using market rates, employee growth and development, performance, and retention.

Operating Expenses

Operating expenses are 57.0% of the budgeted expenditures and are 95.5% expended. Large expenditures include:

- \$1.3 million on consulting and professional services, the majority in relation to election lawsuits
- \$473,617 on information technology (IT) consulting and professional services
- \$284,203 on printing and publication graphics
- \$249,503 on e-government transaction fees. SOS absorbs the transaction fees customers incur when doing business filings
- \$855,744 on state information technology services
- \$402,897 on software maintenance

HB 2 BUDGET MODIFICATIONS

The following chart shows the HB 2 budget as passed by the legislature, including the pay plan, and the HB 2 modified budget from June 1, 2022 through fiscal year end. Net modifications to the budget include operating plan changes from one expenditure account to another, program transfers, reorganizations, and agency transfers of authority. The **positive modifications** and **negative modifications** are shown by program, expenditure account, and fund type.

Legislative Budget Compared to Modified Budget - HB 2 Only			
Agency Name	June Modified Budget	FYE22 Modified Budget	Net Modifications
☐ Secretary of State's Office	100,000	100,000	
Total	100,000	100,000	

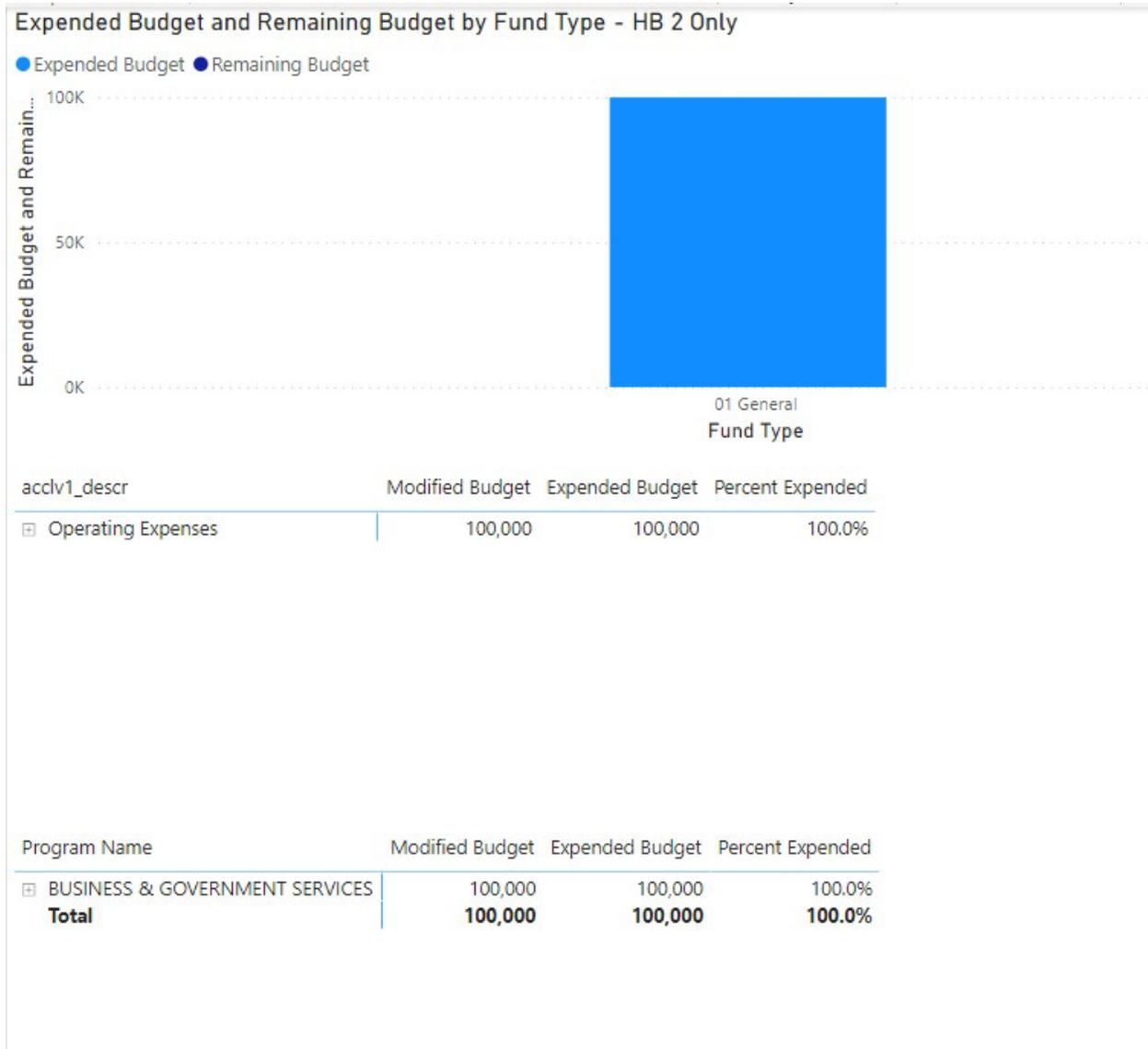
Acct & Lvl 1 DESC	June Modified Budget	FYE22 Modified Budget	Net Modifications
☐ 62000 Operating Expenses	100,000	100,000	

Fund Type	June Modified Budget	FYE22 Modified Budget	Net Modifications
☐ 01 General	100,000	100,000	

As shown, the Secretary of State's Office, through June 30, 2022, has not modified its HB 2 budget.

HB 2 APPROPRIATION AUTHORITY

The following chart shows the appropriated budget for the agency compared to expenditures through FYE 2022.



The 2021 Legislature provided the Secretary of State with \$100,000 in general fund as a restricted, biennial, one-time-only appropriation for potential litigation related to elections. By the end of February, the Secretary of State had expended the entire appropriation for consulting and professional services associated with litigation related to elections. Given the fund balance in the proprietary fund, the Secretary of State's Office has paid ongoing litigation expenditures for the remainder FY 2022 using fund balance.

OTHER ISSUES

Information Technology Project Expenditures

The following figures show the budget and delivery dates for the ElectMT IT project.

Large Information Technology Projects Original and Revised Delivery Date				
Project	Start Date	Original Delivery Date	Revised Delivery Date	Change from Original Delivery Date
ElectMT	4/26/2019	9/24/2021	1/17/2023	54.4%

Large Information Technology Projects Original and Revised Budgets			
Project	Original Budget	Revised Budget	Change from Original Budget
ElectMT	3,559,682	3,559,682	-

The ElectMt project will replace the existing statewide voter registration and election management system (MT Votes). The majority of the project is funded with federal U.S. Election Assistance Commission funds. According to the Secretary of State's Office, the SOS elections team is working closely with the vendor and county partners to finish testing the system in preparation for launch in January 2023. The Secretary of State's Office revised the delivery date of the project, from September 2021 to January 2023.

In addition, SOS has begun the initial phases of a new project related to the Administrative Rules of Montana (ARMS) which will impact the fixed costs for the 2025 biennium. SOS anticipates the impact on the agencies will be minor with the software fees included in the State Information Technology Services Division (SITSD) enterprise rate. According to SOS, they have identified a potential vendor for the new ARMS project and are working with the SITSD on the contract, but it has not been finalized and thus the project has not been started.

Required Reports

The Secretary of State did not have any budget amendments, operating plan changes, or program transfers that require reporting to the Legislative Finance Committee.