

Agency Biennium Comparison

The following table compares FY 2022 actual expenditures, FY 2022 and FY 2023 appropriations, and the expenditures requested for FY 2024 and FY 2025 by type of expenditure and source of funding.

Agency Biennium Comparison				
Budget Item	Appropriated Budget 22-23	Requested Budget 24-25	Biennium Change	Biennium % Change
Operating Expenses	100,000	0	(100,000)	(100.00)%
Total Expenditures	\$100,000	\$0	(\$100,000)	(100.00)%
General Fund	100,000	0	(100,000)	(100.00)%
Total Funds	\$100,000	\$0	(\$100,000)	(100.00)%
Total Ongoing	\$0	\$0	\$0	100.00%
Total OTO	\$100,000	\$0	(\$100,000)	(100.00)%

Mission Statement

The mission of the Office of the Secretary of State is to protect the integrity of elections, be an asset to businesses, and preserve official history.

Agency Highlights

Office of the Secretary of State Major Budget Highlights
<ul style="list-style-type: none"> • The Secretary of State is funded entirely with non-budgeted proprietary funds in the 2025 biennium budget and is not appropriated in HB 2 • The Secretary of State currently has federal funds for the Help America Vote Act (HAVA) that expire in September 2023, and December 2024

LFD COMMENT	The Secretary of State has ongoing election litigation costs. The 2021 Legislature provided the Secretary of State with one-time-only general fund appropriation of \$100,000 for the 2023 biennium to pay for election litigation expenses. This authority was expended completely in FY 2022. The actual expenses incurred were far more than the appropriation. The additional expenses were paid out of the Secretary of State’s nonbudgeted proprietary enterprise fund. The fund had a sufficient balance to cover those expenses this biennium. The legislature may want to consider options for funding ongoing election litigation costs.
--------------------	--

Agency Actuals and Budget Comparison

The following table compares FY 2022 actual expenditures, FY 2022 and FY 2023 appropriations, and the expenditures requested for FY 2024 and FY 2025 by type of expenditure and source of funding.

Agency Actuals and Budget Comparison					
Budget Item	Actuals Fiscal 2022	Approp. Fiscal 2022	Approp. Fiscal 2023	Request Fiscal 2024	Request Fiscal 2025
Operating Expenses	100,000	100,000	0	0	0
Total Expenditures	\$100,000	\$100,000	\$0	\$0	\$0
General Fund	100,000	100,000	0	0	0
Total Funds	\$100,000	\$100,000	\$0	\$0	\$0
Total Ongoing	\$0	\$0	\$0	\$0	\$0
Total OTO	\$100,000	\$100,000	\$0	\$0	\$0

Agency Discussion

FY 2022 Appropriations Compared to FY 2022 Actual Expenditures

The Secretary of State’s office received \$100,000 in one-time-only HB 2 funding for election litigation expenses in FY 2022. This funding was fully expended.

FY 2022 Appropriations Compared to FY 2023 Appropriations

The 2023 biennium one-time-only (OTO) funding included in HB 2 in FY 2022 was completely expended in FY 2022. This funding was fully expended.

Executive Request

There is no executive request related to the Secretary of State’s office proposed for HB 2 for the 2025 biennium.

Elected Official Request

As a courtesy to elected officials, the LFD Budget Analysis includes any proposals they intend to bring to the legislature that are different and/or excluded from the executive budget. The Secretary of State does not intend to add any requests outside of what is being proposed in the executive budget.

5.0% Plan

Statute requires that agencies submit plans to reduce general fund and certain state special revenue funds by 5.0%. The Secretary of State’s office is funded entirely with non-budgeted proprietary funds and are not subject to the 5.0% plan.

Right to Know Requests

The Secretary of State receives requests for public records, and the number of requests has increased significantly over the last few years. The chart below lists out the number of requests per year back to 2009.

Public Records Request by Year

YEAR	NUMBER
2009	5
2010	6
2011	1
2012	5
2013	6
2014	20
2015	13
2016	26
2017	29
2018	*8
2019	16
2020	40
2021	58
2022	**48

*Records only from 5/30/18 - 12/31/18

**Total as of 09/20/22

The Secretary of State's office is unable to estimate the amount of employee time that is spent processing public records requests; however, it is significant. The office is able to charge requestors for the actual cost of expenses related to processing the requests, but not all requests get to that point.

Collected revenue fluctuates significantly each fiscal year based upon the type and number of requests processed each year. In FY 2022 the Secretary of State's office collected \$1,052 from processing public record requests.

Agency Goals and Objectives

Statute requires that agencies submit a statement of the agency mission and a statement of goals and objectives for each program of the agency. The goals and objectives are required to be concise, specific, quantifiable, and measurable. Goals and objectives, submitted by the agency, are included in the agency profile webpage.

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
- Central services for the Secretary of State's Office

Proprietary Program Revenues and Expenses

The following table shows the actual and projected expenditures and related revenues associated with this fund.

2025 Biennium Report on Internal Service and Enterprise Funds

Fund	Fund Name	Agency #	Agency Name	Program Name		
06053	Business Services	32010	Office of the Secretary of State	Business Services		
			Actual FY 22	Estimated FY 23	Proposed FY 24	Proposed FY 25
Operating Revenues						
Fees and Charges						
	Charges for Service		9,975,415	9,082,188	9,240,241	9,590,518
	Sale of Documents		73,672	62,300	62,300	62,300
	Federal I/D Cost Recovery		39,258	65,000	179,061	179,061
Other Operating Revenues						
	BOI Investment Earnings		13,205	28,045	28,045	28,045
	SOS Miscellaneous Receipts		2,529	12,000	12,000	12,000
Total Operating Revenues			10,104,079	9,249,533	9,521,647	9,871,924
Expenses						
	Personal Services		2,920,781	3,335,683	3,938,921	3,953,146
	Other Operating Expense		5,687,724	4,659,379	2,515,604	2,490,994
	Equipment					
Total Operating Expense			8,608,505	7,995,062	6,454,525	6,444,140
Operating Income (Loss)			1,495,574	1,254,471	3,067,122	3,427,784
Nonoperating Revenues						
Nonoperating Expenses						
Total Nonoperating Revenues (Expenses)			-	-	-	-
Income (Loss) Before Contributions/Transfers			1,495,574	1,254,471	3,067,122	3,427,784
Capital Contributions						
Transfers In						
Transfers Out						
Loans and Lease Payments						
Change in Net Position			1,495,574	1,254,471	3,067,122	3,427,784
Beginning Net Position - July 1			10,617,669	12,117,785	13,372,256	16,439,378
Prior Period Adjustments			4,542	-	-	-
Change in Net Position			1,495,574	1,254,471	3,067,122	3,427,784
Ending Net Position - June 30			12,117,785	13,372,256	16,439,378	19,867,162

Personal services are increasing due to legislature approved pay plan increases, and management decisions on adjustments to the broadband pay plan for recruitment and retention.

The Secretary of State anticipates utilizing the increasing fund balance for additional operating expenses needed for the following:

- Replacing the administrative rules system, approximately \$200,000 over the 2025 biennium
- Implementation of phase II of the ElectMT project, approximately \$1.0 million over the 2025 biennium
- Enhancement of the business services system, approximately \$1.0 million over the 2025 biennium
- Ongoing election litigation costs

Proprietary Rates

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

On April 29, 2022, the Secretary of State published Montana Administrative Register (MAR) 44-2-257 proposing to amend rules to reduce new business filing fees by 50.0%. It was adopted on May 20, 2022 and became effective July 1, 2022. The Secretary of State’s Office estimates that approximately 35,000 small businesses will have their fees reduced and estimates it will save them over \$1.1 million. In addition, the Secretary of State's Office has indicated they will be proposing additional fee reductions and/or a fee holiday.

According to the Secretary of State, the office is in the beginning phases of replacing the outdated system currently used to manage the Administrative Rules of Montana. As a result, the method for calculating the professional service fee associated with filing administrative rule notices with the Secretary of State will change. In addition, elimination of the subscription and other printing processes is under construction. As the project progresses, the preliminary rate calculations will be finalized and made available to agencies for budgeting purposes.

Funding

The following table shows proposed agency funding for all sources of authority.

Total Secretary of State Funding by Source of Authority 2025 Biennium Budget Request - Secretary of State							
Funds	HB2 Ongoing	HB2 OTO	Non-Budgeted Proprietary	Statutory Appropriation	Total All Sources	% Total All Funds	
General Fund	0	0	0	0	0	0.00 %	
State Special Total	0	0	0	0	0	0.00 %	
Federal Special Total	0	0	0	0	0	0.00 %	
Proprietary Total	0	0	12,898,665	0	12,898,665	100.00 %	
Other Total	0	0	0	0	0	0.00 %	
Total All Funds	\$0	\$0	\$12,898,665	\$0	\$12,898,665		
Percent - Total All Sources	0.00 %	0.00 %	100.00 %	0.00 %			

Budget Summary by Category

The following table summarizes the total budget by base, present law adjustments, and new proposals. For a description of these categories, please see the glossary.

Budget Summary by Category									
Budget Item	-----General Fund-----				-----Total Funds-----				
	Budget Fiscal 2024	Budget Fiscal 2025	Biennium Fiscal 24-25	Percent of Budget	Budget Fiscal 2024	Budget Fiscal 2025	Biennium Fiscal 24-25	Percent of Budget	
2023 Base Budget	0	0	0	0.00 %	0	0	0	0	0.00 %
SWPL Adjustments	0	0	0	0.00 %	0	0	0	0	0.00 %
PL Adjustments	0	0	0	0.00 %	0	0	0	0	0.00 %
New Proposals	0	0	0	0.00 %	0	0	0	0	0.00 %
Total Budget	\$0	\$0	\$0		\$0	\$0	\$0	\$0	