

### Agency Biennium Comparison

The following table compares the 2019 biennium appropriated budget and the 2021 biennium budget request by type of expenditure and source of funding.

Agency Biennium Comparison				
Budget Item	Appropriated Budget 18-19	Requested Budget 20-21	Biennium Change	Biennium % Change
Personal Services	8,385,471	8,983,085	597,614	7.13 %
Operating Expenses	3,930,126	3,866,763	(63,363)	(1.61)%
<b>Total Expenditures</b>	<b>\$12,315,597</b>	<b>\$12,849,848</b>	<b>\$534,251</b>	<b>4.34 %</b>
Proprietary Funds	12,315,597	12,849,848	534,251	4.34 %
<b>Total Funds</b>	<b>\$12,315,597</b>	<b>\$12,849,848</b>	<b>\$534,251</b>	<b>4.34 %</b>
<b>Total Ongoing</b>	<b>\$12,315,597</b>	<b>\$12,849,848</b>	<b>\$534,251</b>	<b>4.34 %</b>
<b>Total OTO</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>0.00 %</b>

### Mission Statement

The mission of the Office of the Secretary of State is to help commerce thrive, promote democracy, and to record history for future generations.

For additional information, please refer to the agency profile. The profile may be viewed at: <https://leg.mt.gov/lfd/publications/>

### Agency Highlights

<b>Secretary of State Major Budget Highlights</b>
<ul style="list-style-type: none"> <li>The Secretary of State's Office is funded entirely with non-budgeted proprietary funds which are not appropriated in HB 2</li> </ul>

### Agency Actuals and Budget Comparison

The following table compares the 2019 biennium appropriated budget and the 2021 biennium budget request by type of expenditure and source of funding.

Agency Actuals and Budget Comparison					
Budget Item	Actuals Fiscal 2018	Approp. Fiscal 2018	Approp. Fiscal 2019	Request Fiscal 2020	Request Fiscal 2021
FTE	0.00	54.50	54.50	54.50	54.50
Personal Services	3,327,460	4,253,013	4,132,458	4,491,908	4,491,177
Operating Expenses	2,240,136	2,016,167	1,913,959	1,958,326	1,908,437
<b>Total Expenditures</b>	<b>\$5,567,596</b>	<b>\$6,269,180</b>	<b>\$6,046,417</b>	<b>\$6,450,234</b>	<b>\$6,399,614</b>
Proprietary Funds	5,567,596	6,269,180	6,046,417	6,450,234	6,399,614
<b>Total Funds</b>	<b>\$5,567,596</b>	<b>\$6,269,180</b>	<b>\$6,046,417</b>	<b>\$6,450,234</b>	<b>\$6,399,614</b>
<b>Total Ongoing</b>	<b>\$5,567,596</b>	<b>\$6,269,180</b>	<b>\$6,046,417</b>	<b>\$6,450,234</b>	<b>\$6,399,614</b>
<b>Total OTO</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

**Agency Discussion**

*FY 2018 Appropriations Compared to FY 2018 Actual Expenditures*

The Secretary of State’s Office did not have any HB 2 funding in the 2019 biennium. The agency expended 88.8% of its FY 2018 budget. Personal services were 78.2% expended.

*FY 2018 Appropriations Compared to FY 2019 Appropriations*

The Secretary of State’s Office did not have any HB 2 funding in the 2019 biennium.

*Executive Request*

The Secretary of State’s Office requested budget is \$534,000 or 4.3% greater than the 2019 biennium budget. Requested adjustments will be discussed in further detail in the Present Law Adjustments section below.

*5% Plan*

Statute requires that agencies submit plans to reduce general fund and certain state special revenue funds by 5.0%. However, since the Secretary of State’s Office does not receive any general fund or state special revenue, it is exempt from the requirement.

*FY 2019 Legislative Budget to FY 2019 Executive Modified Base*

The Secretary of State did not have any HB 2 funding in the 2019 biennium, and therefore there is no base budget for the office.

**Funding**

The following table shows proposed agency funding by source of authority.

Total Secretary of State Funding by Source of Authority 2021 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	12,849,848	0	12,849,848	100.00 %	
Other Total	0	0	0	0	0	0.00 %	
<b>Total All Funds</b>	<b>\$0</b>	<b>\$0</b>	<b>\$12,849,848</b>	<b>\$0</b>	<b>\$12,849,848</b>		
<b>Percent - Total All Sources</b>	<b>0.00 %</b>	<b>0.00 %</b>	<b>100.00 %</b>	<b>0.00 %</b>			

*HB 2 Funding*

In recent years, the federal Help America Vote Act (HAVA) of 2002 has provided federal revenues for election reform initiatives. All available funds requiring appropriation in HB 2 were used by the end of FY 2017, so there are no funds requiring appropriation in the 2021 biennium.

<b>LFD COMMENT</b>	In the spring of 2018, Montana was awarded \$3.0 million in HAVA funds for election security, which were appropriated through the statutory budget amendment process. Authority for these funds is proposed to continue into the 2021 biennium with an appropriation in HB 4, and therefore will not be included in HB 2.
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If the legislature wishes to increase oversight of these HAVA funds, they may amend HB 4 to specify how these funds may be used or choose to appropriate the funds in HB 2.

*Non-Budgeted Proprietary Funding*

The Office of the Secretary of State is funded with one proprietary fund, and thus it does not receive any appropriation in HB 2. The operations of the Secretary of State’s Office are 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 Rates section of the narrative.

**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 section of the Budget Analysis.

Budget Item	-----General Fund-----				-----Total Funds-----			
	Budget Fiscal 2020	Budget Fiscal 2021	Biennium Fiscal 20-21	Percent of Budget	Budget Fiscal 2020	Budget Fiscal 2021	Biennium Fiscal 20-21	Percent of Budget
2019 Base Budget	0	0	0	0.00 %	6,046,417	6,046,417	12,092,834	94.11 %
SWPL Adjustments	0	0	0	0.00 %	403,817	353,197	757,014	5.89 %
PL Adjustments	0	0	0	0.00 %	0	0	0	0.00 %
New Proposals	0	0	0	0.00 %	0	0	0	0.00 %
<b>Total Budget</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>		<b>\$6,450,234</b>	<b>\$6,399,614</b>	<b>\$12,849,848</b>	

**Present Law Adjustments**

The “Present Law Adjustments” table shows the changes from the FY 2019 base appropriation to the budget proposed by the executive. “Statewide Present Law” adjustments are standard categories of adjustments made to all agencies. Decisions on these items were applied globally to all agencies.

Present Law Adjustments	Fiscal 2020					Fiscal 2021				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 1 - Personal Services	0.00	0	0	0	359,450	0.00	0	0	0	358,719
DP 2 - Fixed Costs	0.00	0	0	0	44,367	0.00	0	0	0	(5,522)
DP 3 - Inflation Deflation	0.00	0	0	0	0	0.00	0	0	0	0
<b>Grand Total All Present Law Adjustments</b>	<b>0.00</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$403,817</b>	<b>0.00</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$353,197</b>

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

DP 1 - Personal Services -

The executive requests adjustments to annualize personal services costs including FY 2019 statewide pay plan adjustments, benefit rate adjustments, vacancy savings adjustments, and longevity adjustments related to incumbents in each position at the time of the personal services snapshot.

DP 2 - Fixed Costs -

The executive requests adjustments to provide the funding required in the proposed budget to pay increases in fixed costs assessed by other agencies within state government for the services they provide. Examples include: warrant writer, motor pool, etc. The rates charged for these services are approved in the section of the budget that provides the services.

DP 3 - Inflation Deflation -

The executive requests adjustments to reflect budgetary changes generated from the application of inflation and deflation factors to specific expenditure accounts. Affected accounts include food, postage, gasoline, and others.

**Other Issues -**

**Proprietary Rates**

**Fund 06053 – Business and Government Services**

*Proprietary Proposed Budget*

The following 2021 Biennium Report on Internal Service and Enterprise Funds for fund 06053 shows the actual and projected revenues and expenses associated with the fund from FY 2018 through FY 2021. The report is provided as submitted by the executive, but the LFD has edited and reconfigured the figure for clarity.

Figure 1

## 2021 Biennium Report on Internal Service and Enterprise Funds

Agency #	Agency Name	Program Name		
32010	Secretary of State	Business Services		
Fund	Fund Name			
06053	Business Services Fund			
	Actual FY 2018	Budgeted FY 2019	Proposed FY 2020	Proposed FY 2021
<b>Operating Revenues:</b>				
Fee and Charges				
Fee Revenue A	6,651,318	6,698,892	6,932,949	7,113,127
Fee Revenue B	64,639	85,000	85,000	85,000
Other Operating Revenues	31,028	18,000	18,000	18,000
<b>Total Operating Revenues</b>	<b>6,746,986</b>	<b>6,801,892</b>	<b>7,035,949</b>	<b>7,216,127</b>
<b>Expenses:</b>				
Personal Services	3,248,595	4,132,458	4,489,361	4,488,628
Other Operating Expenses	1,855,236	1,653,775	1,958,326	1,908,437
Expense B	300,000	300,000	-	-
<b>Total Operating Expenses</b>	<b>5,403,831</b>	<b>6,086,233</b>	<b>6,447,687</b>	<b>6,397,065</b>
<b>Operating Income (Loss)</b>	<b>1,343,155</b>	<b>715,659</b>	<b>588,262</b>	<b>819,062</b>
Capital Contributions	-	-	-	-
Transfers In	8,098	-	-	-
Transfers Out	(410,427)	-	-	-
Loans and Lease Payments	-	-	-	-
<b>Total</b>	<b>(402,329)</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Change in Net Position</b>	<b>940,826</b>	<b>715,659</b>	<b>588,262</b>	<b>819,062</b>
<b>Beginning Net Position - July 1</b>	<b>3,719,475</b>	<b>4,660,301</b>	<b>5,375,961</b>	<b>5,964,223</b>
Prior Period Adjustments	-	-	-	-
Change in Net Position	940,826	715,659	588,262	819,062
<b>Ending Net Position - June 30</b>	<b>\$4,660,301</b>	<b>\$5,375,961</b>	<b>\$5,964,223</b>	<b>\$6,783,285</b>
<b>Net Position (Fund Balance) Analysis</b>				

Revenue A and Revenue B, in the figure above, are revenues from fees. Other Operating Revenues are revenues from investment earnings. Expense B is for the Montana Secretary of State Information Management System (SIMS).

*Program Description*

The Secretary of State's Business and Government Services Program provides elections administration, registration and document filing of Montana businesses, publication of administrative rules, records management of public documents generated by state and local governments, and operational support for the office.

*Proprietary Program Narrative*Expenses

While for budgeting purposes the Secretary of State only has one program, the office has several divisions within that program. Significant costs for the program are for:

- Personal services costs for 54.50 FTE, including \$3.2 million or 60.1% of the total actuals for FY 2019
- Other operating costs, including expenses of the fund

The figure below shows the expenses and revenues in FY 2018 for each of the divisions as recorded on the state's accounting system.

Figure 2

Secretary of State  
Revenues and Expenditures  
FY 2018

	Executive Services*	Administrative Rule Service	Business Services	Notary Services	Election & Government Services	Records & Information Management
<b>Revenues</b>	\$33,526	\$146,235	\$6,070,276	\$147,707	\$140,785	\$216,847
<b>Expenditures</b>						
<b>Personal Services</b>						
Salaries	1,057,198	85,916	715,807	104,411	245,329	239,450
Benefits	358,049	37,967	270,441	39,625	75,584	97,679
<b>Total Personal Serv.</b>	1,415,247	123,883	986,248	144,037	320,913	337,129
<b>Operating Expenses</b>						
Other Services	224,838	16,579	369,854	4,760	478,912	20,633
Supplies & Materials	56,942	1,148	23,127	1,968	40,469	8,965
Communications	25,240	1,529	48,309	3,484	31,839	19,534
Travel	26,881	-	3,475	2,010	11,823	527
Rent	46,554	3,460	38,177	4,885	9,770	139,578
Utilities	984	-	-	-	-	5,042
Repair & Maintenance	807	-	-	-	-	609
Other Expenses	89,990	4,452	45,445	26,022	60,003	10,105
Goods for Resale	-	-	-	-	-	498
Registry System	330,910	-	-	-	-	-
<b>Total Operating Exp.</b>	803,145	27,168	528,386	43,130	632,817	205,489
<b>Total Expenditures</b>	2,218,393	151,051	1,514,634	187,166	953,730	542,618
<b>Net Income (Loss)</b>	(\$2,184,866)	(\$4,816)	\$4,555,642	(\$39,459)	(\$812,945)	(\$325,771)

\*Executive Services also includes Information Technology (IT), the State Information Management System (SIMS), & budgeting (BEC)

**LFD  
COMMENT**

In FY 2018, the Secretary of State's Office operated all but one of its divisions at a loss. The income from registration and document filing fees paid by Montana businesses provided the income to offset these losses.

Revenues

Revenue is received from the following sources:

- Fees charged for the registration and document filing of Montana businesses
- Fees charged to state agencies and users of the Administrative Rules of Montana (ARM) for publishing and distributing the ARM and the Montana Administrative Register, and for storage and management of public documents
- Fees charged to candidates who file for elections
- Fees charged to Montana citizens who apply to be notaries

The program collects the largest amount of revenues on annual report filings during the annual report season.

*Proprietary Rates*

This program is funded with an enterprise type proprietary fund. As such, the legislature does not appropriate funds or approve 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. Rates for the office are established in administrative rule, and there are no changes in rates.

**LFD  
COMMENT**

There are two types of non-budgeted proprietary funds: enterprise funds and internal services funds. Enterprise funds are used to account for operations that provide goods or services to the public on a user-charge basis for operations that essentially act as a business. Enterprise fund operations must be reported to the legislature, though the legislature does not usually approve rates for enterprise funds.

Internal service funds are used to account for operations that provide goods or services to other agencies or programs of state government on a cost-reimbursement basis. The legislature approves a maximum rate that programs funded with internal service funds can charge for their services.

Two of the functions within the Secretary of State's Office provide services to other state agencies: Administrative Rules of Montana (ARM) and records management. Though the fees charged to state agencies are an internal service, the legislature does not approve these particular fees, and the business services fund operates as an enterprise fund.