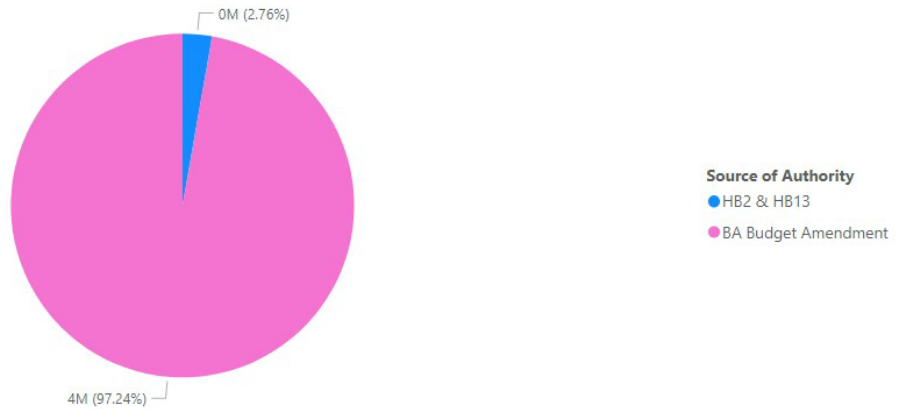


# SECRETARY OF STATE (SOS)

## TOTAL APPROPRIATION AUTHORITY

The total appropriation authority for the agency is shown in the pie chart below. HB 2 and HB 13 provide 2.8% 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.

Total Modified 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	3,521,908	810,343	23.0%
<b>Total</b>	<b>3,621,908</b>	<b>910,343</b>	<b>25.1%</b>

Report Period

- Jul
- Aug
- Sep
- Oct
- Nov
- Dec
- Jan
- Feb

## 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, \$1,650,383 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

The federal funds are authorized until September 2024. As of February 28, 2022, \$396,000 or 24.0% of the FY 2022 funds have been expended.

In January 2020, the Secretary of State was awarded \$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:

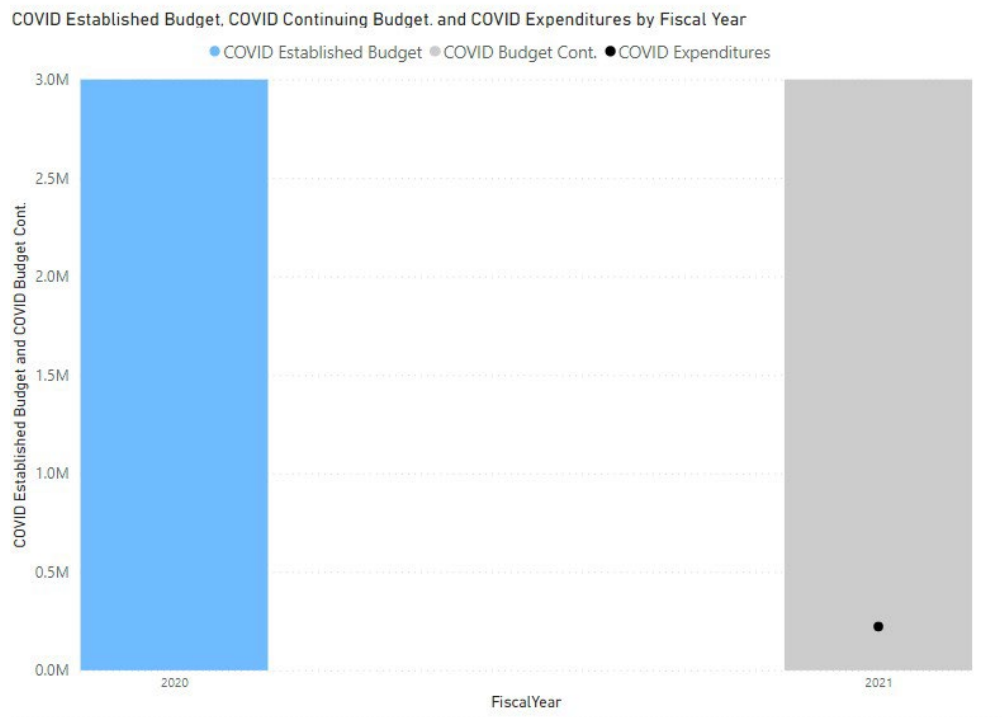
- \$254,372 in personal services
- \$896,781 in grants to counties for voting equipment replacement and upgrades, election auditing, voting registration systems and management, cyber vulnerabilities, training, and communication
- \$200,000 in operating expenses for risk assessments
- \$520,372 in operating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

The federal funds are authorized until September 2024. As of February 28, 2022, \$414,000 or 22.1% of the FY 2022 funds have been expended.

## 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.



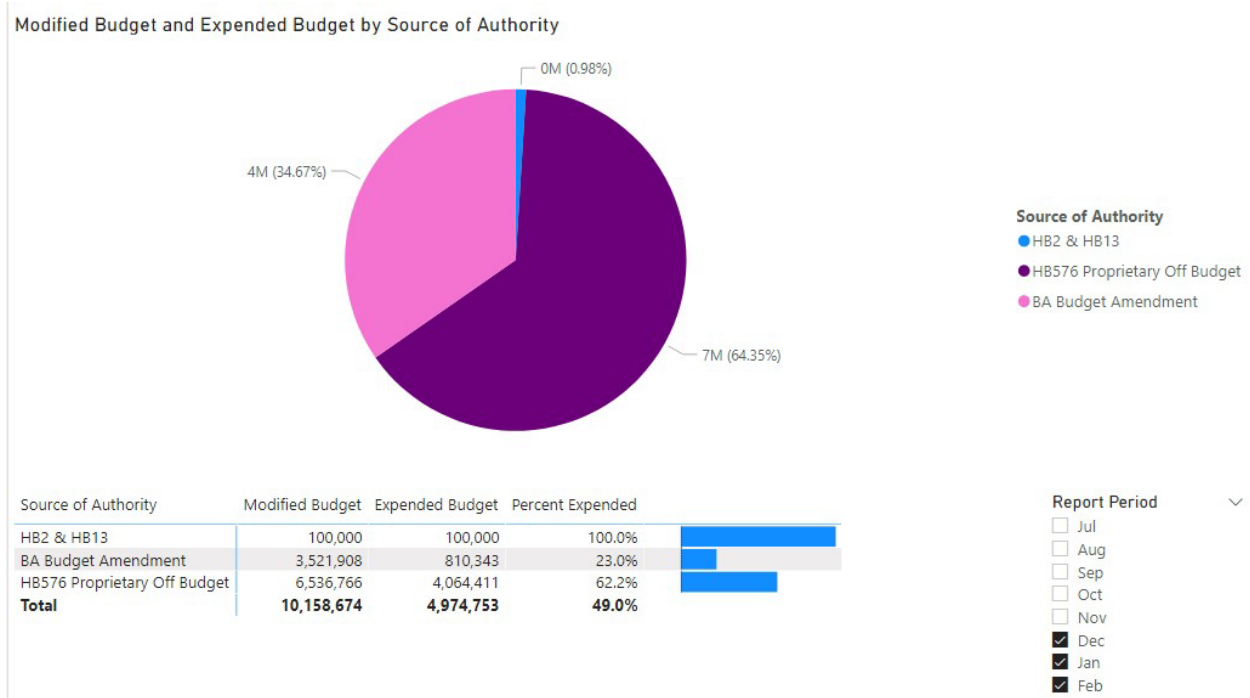
SOS did not receive any administrative authority from the Governor’s Office. SOS received \$3.0 million in funding through the CARES Act to prevent, prepare for, and respond to coronavirus, domestically or internationally, for the 2020 federal election cycle. In FY 2021, SOS expended \$222,373 including:

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

At the end of FY 2021, \$2,777,625 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.



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:

- 1) Businesses and corporations for corporate filings, registration of assumed business names, and trademarks;
- 2) 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;
- 3) Candidates who file for elections; and
- 4) 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 as of February 28, 2022.

Secretary of State Secretary of State Business Services FY 2022	
Beginning Fund Balance	\$7,595,518
Revenue	
Investment Earnings	4,274
Charges for Services	5,783,235
Grants/Transfers/Misc	57,858
Sale of Documents/Mdse/Prop	<u>40,912</u>
Total Revenue	5,886,279
Expenditures	
Personal Services	1,982,446
Operating Expenses	2,950,243
Debt Service	<u>0</u>
Total Expenditures	4,932,689
Adjustments	0
<b>Ending Fund Balance</b>	<b>\$8,549,108</b>

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 following figure shows the revenues, expenditures and fund balance for the proprietary fund between FY 2018 and FY 2022 and the percent change in revenues when compared to FY 2018. It should be noted that the financial information for FY 2022 is through February 28, 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	\$7,595,518
Revenue					
Investment Earnings	31,028	77,264	58,631	8,721	4,274
Charges for Services	6,651,318	7,001,795	6,901,036	9,104,731	5,783,235
Grants/Transfers/Misc	73,748	(7,082)	364,432	56,022	57,858
Sale of Documents/Mdse/Prop	<u>64,639</u>	<u>69,850</u>	<u>70,605</u>	<u>92,956</u>	<u>40,912</u>
Total Revenue	6,820,733	7,141,827	7,394,704	9,262,430	5,886,279
Expenditures					
Personal Services	3,068,766	2,859,981	2,912,000	2,836,088	1,982,446
Operating Expenses	2,161,815	2,432,996	2,789,981	3,514,918	2,950,243
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>0</u>
Total Expenditures	6,377,939	5,525,450	5,728,746	6,271,867	4,932,689
Adjustments	(23,614)	260,628	(640)	300	0
Ending Fund Balance	<u>\$1,062,332</u>	<u>\$2,939,337</u>	<u>\$4,604,655</u>	<u>\$7,595,518</u>	<u>\$8,549,108</u>

Roughly 40.0% of the revenues for the Secretary of State are collected in the period February through April, and as a result, it is anticipated that the fund balance for the proprietary fund will exceed the \$8.5 million shown above.

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. The SOS anticipates providing additional detail on the reduction of fees and the additional funding needs at the next Interim Budget Committee on General Government meeting in June.

## 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 December 1, 2021 through February 28, 2022. 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	December Modified Budget	March Modified Budget	Net Modifications
Secretary of State's Office	100,000	100,000	
<b>Total</b>	<b>100,000</b>	<b>100,000</b>	

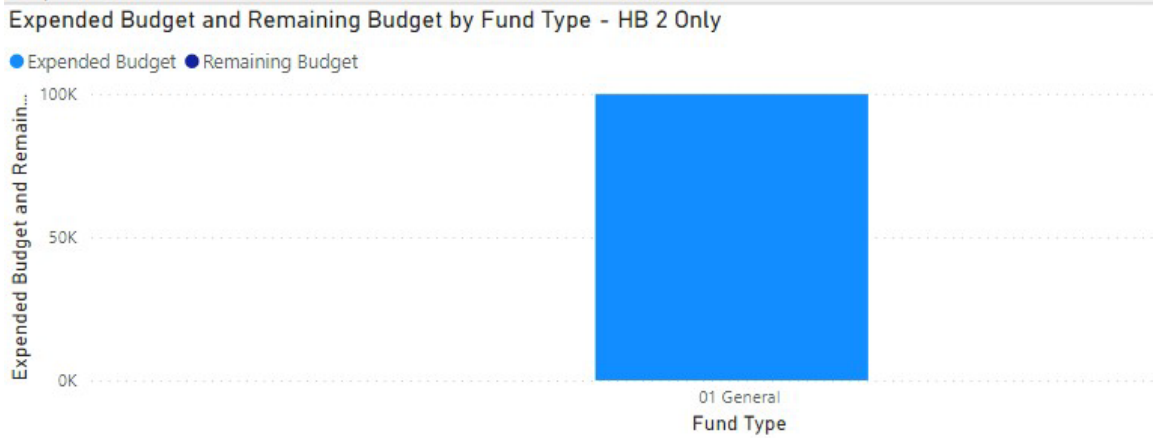
Acct & Lvl 1 DESC	December Modified Budget	March Modified Budget	Net Modifications
62000 Operating Expenses	100,000	100,000	

Fund Type	December Modified Budget	March Modified Budget	Net Modifications
01 General	100,000	100,000	

As shown, the Secretary of State's Office, through February 28, 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 February 28, 2022.



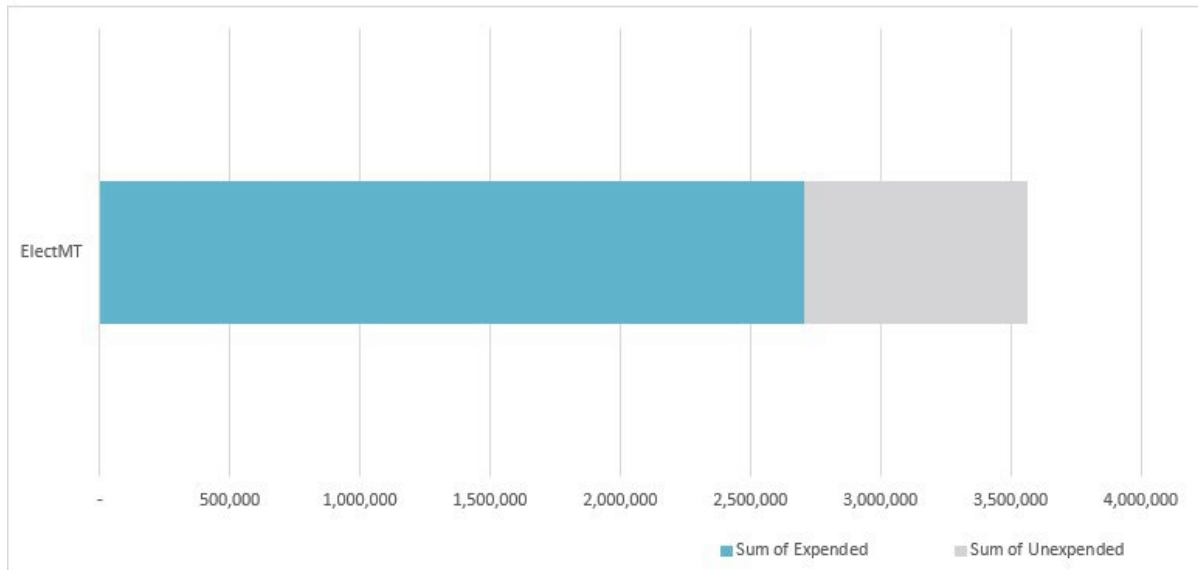
acclv1_descr	Modified Budget	Expended Budget	Percent Expended
<input type="checkbox"/> Operating Expenses	100,000	100,000	100.0%

Program Name	Modified Budget	Expended Budget	Percent Expended
<input type="checkbox"/> BUSINESS & GOVERNMENT SERVICES	100,000	100,000	100.0%
<b>Total</b>	<b>100,000</b>	<b>100,000</b>	<b>100.0%</b>

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. Through the end of February, the Secretary of State has expended the entire appropriation for consulting and professional services associated with litigation related to elections. Given the fund balance in the proprietary fund, it is anticipated that the Secretary of State's Office will pay ongoing litigation expenditures for the remainder of the biennium using fund balance.

## OTHER ISSUES

### Information Technology Project Expenditures



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%

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 US 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. Since the December 2021 Interim Budget Committee on General Government meeting the Secretary of State’s Office revised the delivery date of the project, from September 2021 to January 2023.

**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.