

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
 ● HB2 & HB13
 ● BA Budget Amendment

Source of Authority	Modified Budget	Expended Budget	Percent Expended
HB2 & HB13	100,000	100,000	100.0%
BA Budget Amendment	3,521,908	1,172,593	33.3%
Total	3,621,908	1,272,593	35.1%

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

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

These federal funds are authorized until September 2024. As of May 31, 2022, \$758,097 or 45.9% of the FY 2022 funds have been 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:

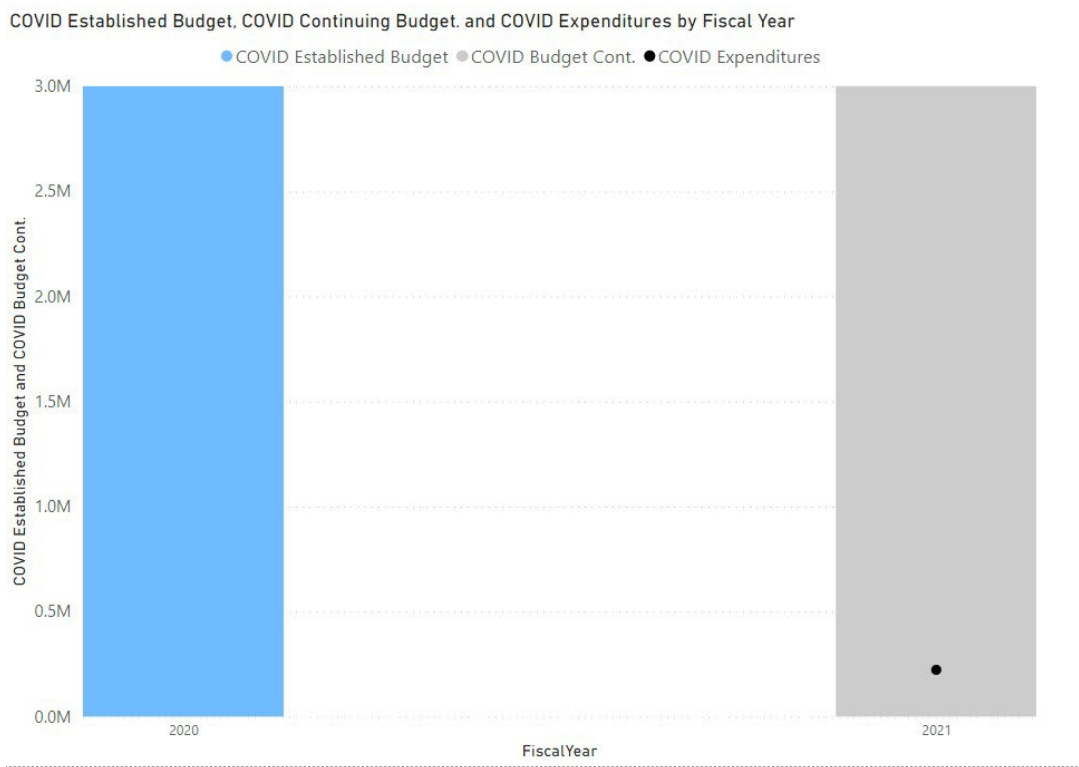
- \$254,372 in personal services
- \$896,781 in grants to counties for voting equipment replacement and upgrades, election auditing, voting registration systems and management, cyber vulnerabilities, training, and communication
- \$200,000 in operating expenses for risk assessments
- \$520,372 in operating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

These federal funds are authorized until September 2024. As of May 1, 2022, \$414,495 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 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:

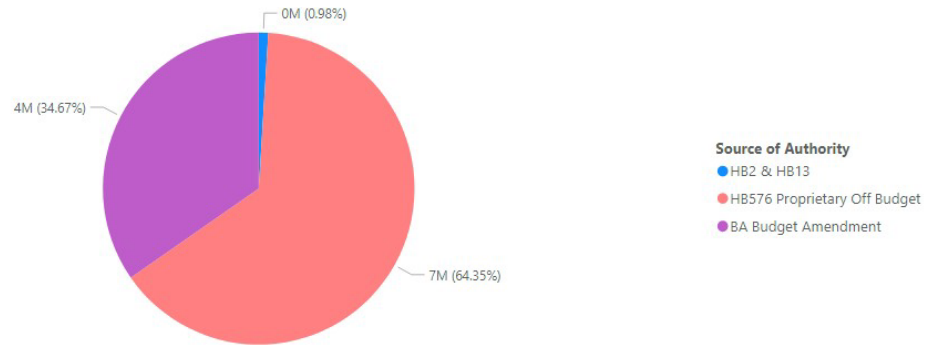
- \$43,775 in operating expenses
- \$178,598 in grants to counties

At the end of FY 2021, \$2,777,627 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	3,521,908	1,172,593	33.3%
HB576 Proprietary Off Budget	6,536,766	6,076,308	93.0%
Total	10,158,674	7,348,901	72.3%

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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 May 31, 2022.

Secretary of State Secretary of State Business Services FY 2022	
Beginning Fund Balance	\$7,595,518
Revenue	
Investment Earnings	11,156
Charges for Services	9,365,166
Grants/Transfers/Misc	58,503
Sale of Documents/Mdse/Prop	<u>66,492</u>
Total Revenue	9,501,317
Expenditures	
Personal Services	2,846,810
Operating Expenses*	4,850,458
Equipment & Intangible Assets	30
Debt Service	<u>0</u>
Total Expenditures	7,697,298
Adjustments	0
Ending Fund Balance	<u><u>\$9,399,537</u></u>
* Operating expenses include \$1.1 million in amortization costs	

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 May 31, 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	11,156
Charges for Services	6,651,318	7,001,795	6,901,036	9,104,731	9,365,166
Grants/Transfers/Misc	73,748	(7,082)	364,432	56,022	58,503
Sale of Documents/Mdse/Prop	<u>64,639</u>	<u>69,850</u>	<u>70,605</u>	<u>92,956</u>	<u>66,492</u>
Total Revenue	6,820,733	7,141,827	7,394,704	9,262,430	9,501,317
Expenditures					
Personal Services	3,068,766	2,859,981	2,912,000	2,836,088	2,846,810
Operating Expenses	2,161,815	2,432,996	2,789,981	3,514,918	4,850,458
Equipment & Intangible Assets	(6,579)	6,579	0	0	30
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	7,697,298
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>\$9,399,537</u>

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 MAR 44-2-257 proposing to amend rules to reduce new business filing fees by 50.0%. If adopted, SOS estimates about 35,000 small businesses would have their fees reduced with an estimated savings of over \$1.1 million. SOS estimates the new rule will be implemented July 1.

Proprietary Budget

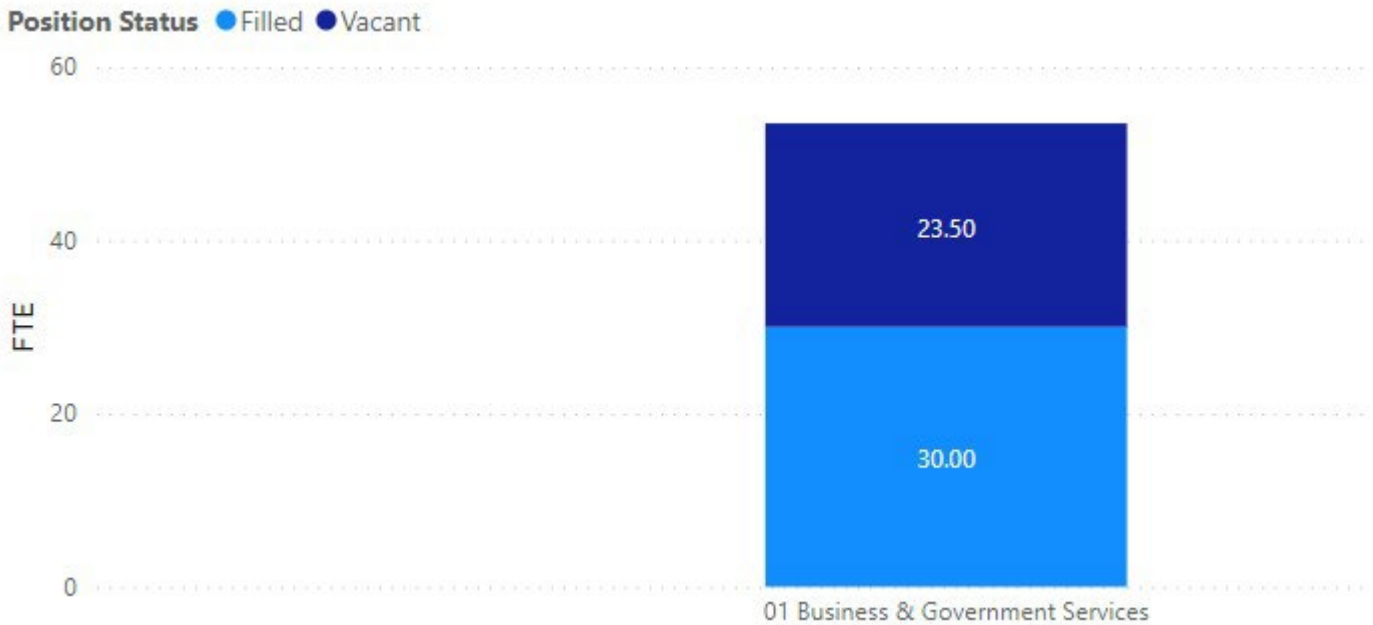
The following chart shows the proprietary budget for the agency compared to expenditures through May 31, 2022.

Secretary of State Secretary of State Business Services FY 2022			
	Budget	Actual*	% Expended
Expenditures			
Personal Services	\$4,361,391	\$2,851,215	62.5%
Operating Expenses	1,955,924	3,182,543	157.4%
Equipment & Intangible Assets	57,450	57,442	100.0%
Transfers Out	160,000	0	0.0%
Debt Service	<u>2,000</u>	<u>0</u>	<u>0.0%</u>
Total Expenditures	<u>\$6,536,765</u>	<u>\$5,862,054</u>	<u>89.7%</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			

Personal Services

Personal services make up 66.7% of budgeted expenditures and were 65.4% expended as of May 31, 2022, which is below the level anticipated at this point in the fiscal year.

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



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

- 6.00 FTE - customer service assistant
- 3.00 FTE - personal staff
- 2.00 FTE – program supervisor

- 1.50 FTE – document imaging operator
- 1.00 FTE – administration assistant
- 1.00 FTE – administrative supervisor
- 1.00 FTE – business analyst
- 1.00 FTE – computer all other
- 1.00 FTE – license permit technician
- 1.00 FTE – program officer
- 1.00 FTE – program special
- 1.00 FTE – records assistant
- 1.00 FTE – warehouse worker
- 0.75 FTE – accounting technician
- 0.75 FTE – human resource specialist
- 0.50 FTE – legal secretary

According to SOS, that operation efficiencies gained throughout the organization has reduced the number of FTE needed to staff the various functions within SOS. SOS is currently working with the Office of Budget and Program Planning to reduce the number of authorized positions for the 2025 biennium.

Operating Expenses

Operating expenses are 29.9% of the budgeted expenditures and are 162.0% expended. Large expenditures include:

- \$557,548 on consulting and professional services, the majority in relation to election lawsuits
- \$404,607 on IT consulting and professional services
- \$249,587 on printing and publication graphics
- \$220,066 on e-government transaction fees. SOS absorbs the transaction fees customers incur when doing business filings
- \$502,361 on state information technology services
- \$354,013 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 March 1, 2022 through May 31, 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	March Modified Budget	June Modified Budget	Net Modifications
Secretary of State's Office	100,000	100,000	
Total	100,000	100,000	

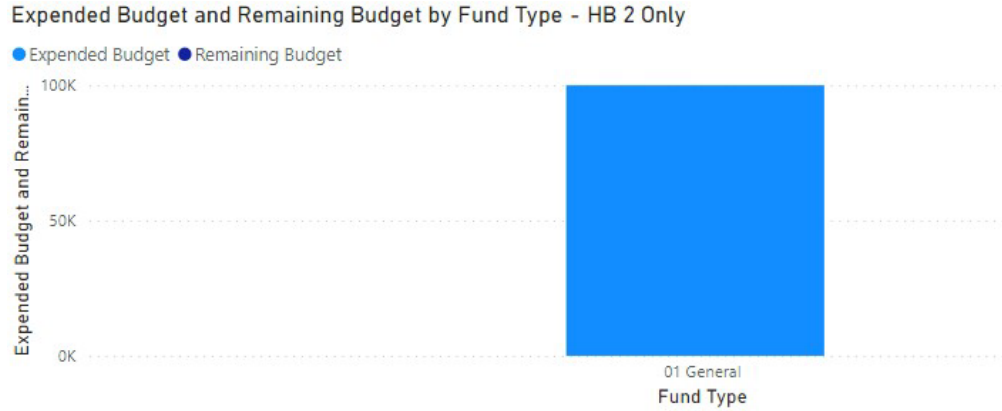
Acct & Lvl 1 DESC	March Modified Budget	June Modified Budget	Net Modifications
62000 Operating Expenses	100,000	100,000	

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

As shown, the Secretary of State's Office, through May 31, 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 May 31, 2022.



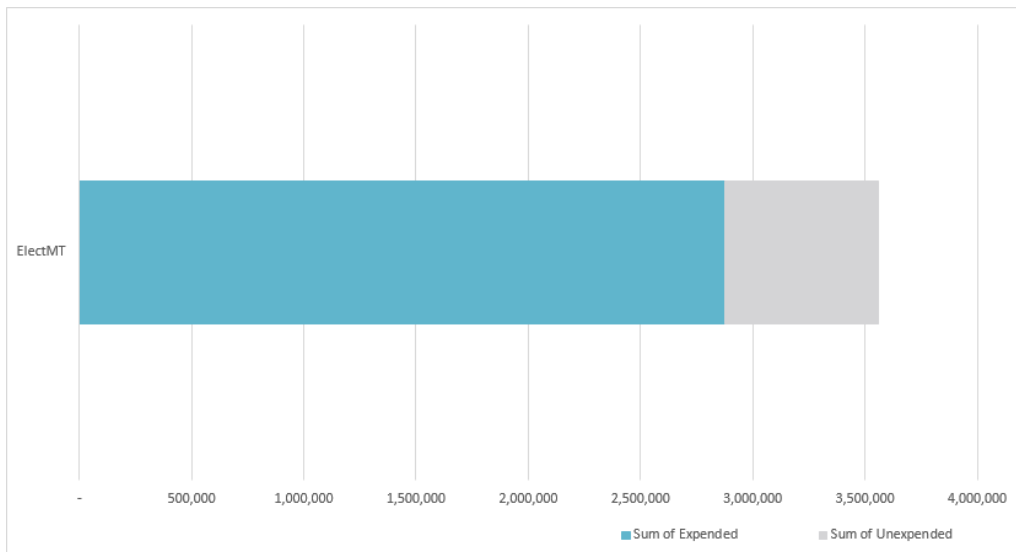
acclv1_descr	Modified Budget	Expended Budget	Percent Expended
Operating Expenses	100,000	100,000	100.0%

Program Name	Modified Budget	Expended Budget	Percent Expended
BUSINESS & GOVERNMENT SERVICES	100,000	100,000	100.0%
Total	100,000	100,000	100.0%

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



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

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. 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.