

**D16A06**  
**Secretary of State**

***Operating Budget Data***

(\$ in Thousands)

	<u>FY 13 Actual</u>	<u>FY 14 Working</u>	<u>FY 15 Allowance</u>	<u>FY 14-15 Change</u>	<u>% Change Prior Year</u>
General Fund	\$1,927	\$1,958	\$1,968	\$9	0.5%
Contingent & Back of Bill Reductions	0	-46	-23	24	
<b>Adjusted General Fund</b>	<b>\$1,927</b>	<b>\$1,912</b>	<b>\$1,945</b>	<b>\$33</b>	<b>1.7%</b>
Special Fund	364	368	455	88	23.9%
<b>Adjusted Special Fund</b>	<b>\$364</b>	<b>\$368</b>	<b>\$455</b>	<b>\$88</b>	<b>23.9%</b>
<b>Adjusted Grand Total</b>	<b>\$2,291</b>	<b>\$2,279</b>	<b>\$2,400</b>	<b>\$121</b>	<b>5.3%</b>

- The fiscal 2015 allowance is \$120,912, or 5.3%, higher than the 2014 working appropriation, mainly due to a nearly 24.0% increase in special funds, which are generated by sales of printed materials.

***Personnel Data***

	<u>FY 13 Actual</u>	<u>FY 14 Working</u>	<u>FY 15 Allowance</u>	<u>FY 14-15 Change</u>
Regular Positions	24.00	24.00	24.00	0.00
Contractual FTEs	<u>1.00</u>	<u>1.00</u>	<u>1.50</u>	<u>0.50</u>
<b>Total Personnel</b>	<b>25.00</b>	<b>25.00</b>	<b>25.50</b>	<b>0.50</b>

***Vacancy Data: Regular Positions***

Turnover and Necessary Vacancies, Excluding New Positions	0.72	3.00%
Positions and Percentage Vacant as of 12/31/13	0.0	0.0%

Note: Numbers may not sum to total due to rounding.

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- The fiscal 2015 allowance for regular positions remains unchanged from the fiscal 2014 working appropriation.
- The fiscal 2015 allowance adds 0.5 contractual positions to help with the additional workload created by a law allowing senators to opt out of notary application verification.

## ***Analysis in Brief***

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### **Major Trends**

***Address Confidentiality Program Continues to Grow:*** The rapid growth of the Address Confidentiality Program continues, with a 24.7% increase in the number of participants in fiscal 2013 over the previous year.

***Ensuring Delinquent Charities Comply with State Law:*** The Secretary of State contacted 10.7% fewer delinquent charities in fiscal 2013 than in the previous year but increased resolutions by 31.3% compared to fiscal 2012.

### **Issues**

***Change in Notary Application Review Affects Secretary of State Workload:*** A change in State law enacted in October 2013 shifted the processing of notary applications from State senators to the Secretary of State's office. The change will require an additional 0.5 contractual employee to handle the increased responsibilities.

### **Recommended Actions**

1. Concur with Governor's allowance.

**D16A06**  
**Secretary of State**

***Operating Budget Analysis***

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**Program Description**

The Secretary of State attests to the Governor's signature on all public papers and documents; certifies documents for international use; registers trademarks, services marks, and insignia; administers the Notary Public laws; processes extraditions; assists in the commissioning of the special police and railroad police; administers the Sister States Program; and represents the State of Maryland and the Executive Department in intergovernmental and international affairs. The Address Confidentiality Program (ACP) for victims of domestic violence in Maryland is also administered by the Secretary of State.

The Charitable and Legal Services Division registers, regulates, investigates, and informs the public about charitable organizations and professional solicitors.

The Division of State Documents (DSD) compiles and publishes all of the State's administrative regulations in the *Maryland Register* and *Code of Maryland Regulations* (COMAR).

The key goals of the Secretary of State are:

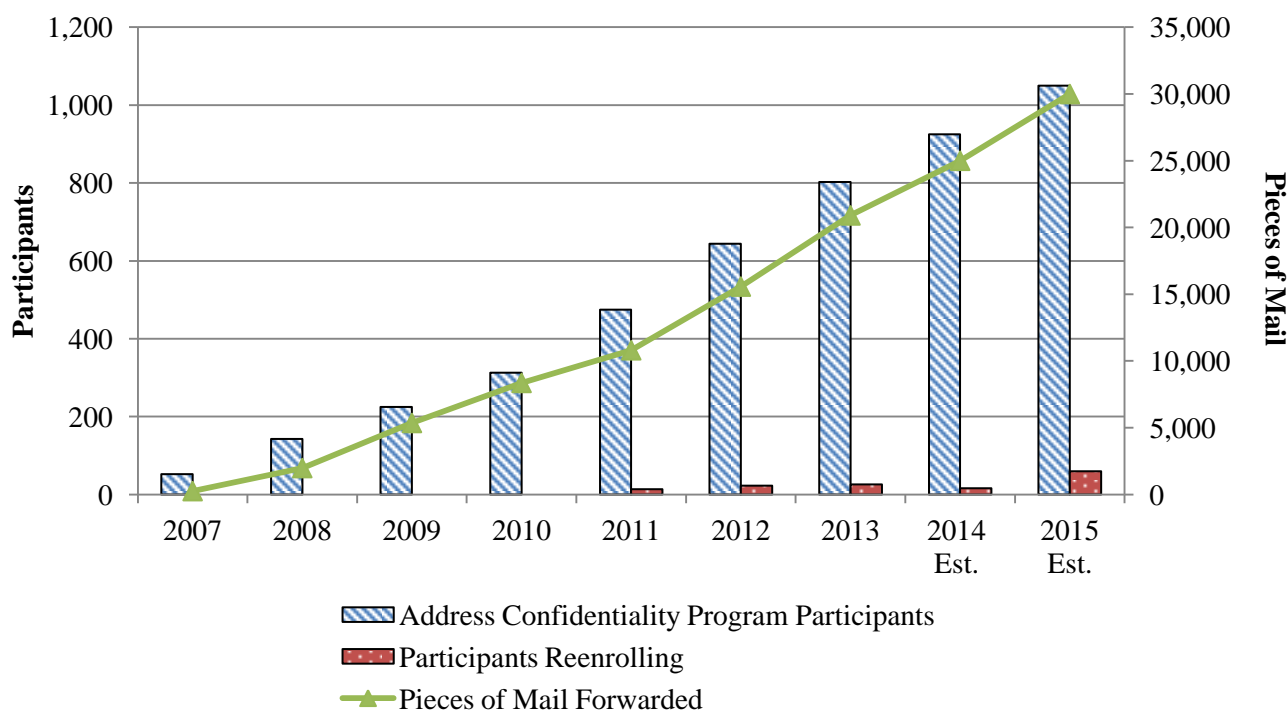
- to implement a document management plan to manage documents related to the operations of DSD;
- to strengthen and enhance Maryland's role and influence in international affairs;
- to obtain updated information from delinquent charitable organizations required to register with the Secretary of State;
- to help Maryland residents make informed decisions when contributing to a charitable organization; and
- to maintain and expand ACP for victims of domestic violence who have relocated to avoid further abuse.

## Performance Analysis: Managing for Results

### 1. Address Confidentiality Program Continues to Grow

Participation in the ACP has grown rapidly since its inception in fiscal 2007, as shown in **Exhibit 1**. The number of participants grew by 24.7% in fiscal 2013, and the agency projects continued growth of 15.2% in fiscal 2014 and 13.5% in fiscal 2015. The amount of mail forwarded grew by 34.2% in fiscal 2013. The agency expects continued and rapid growth in this program, anticipating more than 1,000 participants and approximately 30,000 pieces of forwarded mail in fiscal 2015, up from 803 participants and 20,906 pieces of forwarded mail in fiscal 2013. Enrollment in the program lasts for four years, unless cancelled by the participant. The first reenrollments (14) occurred in fiscal 2011, and the agency anticipates an increase in reenrollments to 60 in fiscal 2015 due to the end of the second four-year cycle of the program.

**Exhibit 1**  
**Address Confidentiality Program**  
**Fiscal 2007-2015 Est.**



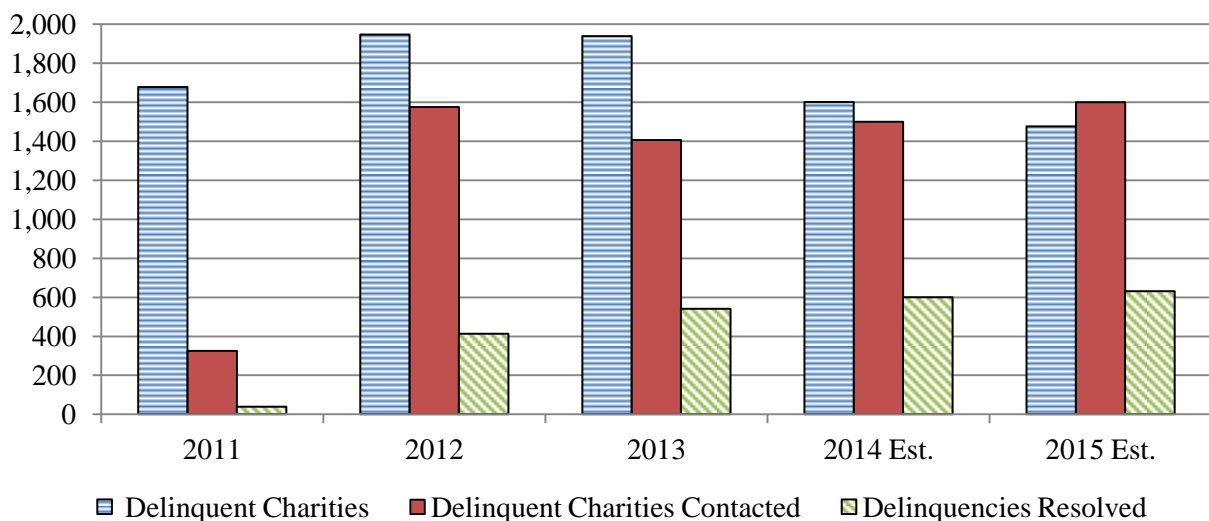
Source: Secretary of State; Governor's Budget Books

## 2. Ensuring Delinquent Charities Comply with State Law

Sections 6-407 and 6-408 of the Business Regulation Article require, with some exceptions, charities to submit an annual fee and an annual report. A fiscal compliance audit of the Secretary of State released in 2011 included a finding that the office did not always follow up with charities that did not submit a required annual report. The office follows up on the delinquency by sending letters to the organization or referring the organization to an investigator. The Secretary of State introduced new Managing for Results measures in the 2012 session to track its resolution of this audit finding. The office began tracking the number of delinquent charities, the number of delinquent charities contacted, and resolved delinquencies in fiscal 2011.

As shown in **Exhibit 2**, the agency contacted 10.7% fewer delinquent charities in fiscal 2013 but increased resolutions by 31.3% compared to fiscal 2012. Staffing shortages limited the office's ability to contact as many delinquent charities as in fiscal 2012. The increase in resolved delinquencies is attributed to several charities having delinquencies covering multiple years, which increased the time necessary to gather information and comply with the Secretary of State's request. This led to resolutions in fiscal 2013 that were the result of contacts made early in the Secretary's emphasis on delinquent charities in fiscal 2011 and 2012.

**Exhibit 2**  
**Delinquent Charities**  
**Fiscal 2011-2015 Est.**



Source: Secretary of State; Governor's Budget Books

## **Fiscal 2014 Actions**

### **Proposed Deficiency**

There are three across-the-board withdrawn appropriations that offset the increase in deficiency appropriations. This includes reductions to employee/retiree health insurance, funding for a new Statewide Personnel information technology system, and retirement reinvestment. These actions are fully explained in the analyses of the Department of Budget and Management (DBM) – Personnel, the Department of Information Technology, and the State Retirement Agency (SRA), respectively. For the Secretary of State, these total \$46,265 in general funds.

### **Proposed Budget**

As shown in **Exhibit 3**, the Secretary of State fiscal 2015 allowance increases by \$120,912 over the current year working appropriation. The largest increase is \$57,364 for the annualized fiscal 2014 cost-of-living adjustment (COLA). Other increases include contractual services (\$23,733), communications (\$22,679), office supplies (\$21,150), and payroll for the additional contractual 0.5 position (\$17,465). The allowance for printing decreases by \$46,000 due to a shift to printing State documents on demand, rather than producing the documents in volume via outside vendors.

There is one across-the-board reduction and one contingent reduction reflected in the Governor's spending plan for the fiscal 2015 allowance. This affects funding for employee/retiree health insurance and retirement reinvestment. These actions are fully explained in the analyses of DBM – Personnel and SRA. For the Secretary of State, these total \$22,661 in general funds.

**Exhibit 3**  
**Proposed Budget**  
**Secretary of State**  
**(\$ in Thousands)**

<b>How Much It Grows:</b>	<b>General Fund</b>	<b>Special Fund</b>	<b>Total</b>
2014 Working Appropriation	\$1,912	\$368	\$2,279
2015 Allowance	<u>1,945</u>	<u>455</u>	<u>2,400</u>
Amount Change	\$33	\$88	\$121
Percent Change	1.7%	23.9%	5.3%

**Where It Goes:****Personnel Expenses**

Annualized fiscal 2014 cost-of-living adjustment increase .....	\$57
Increments and other compensation .....	1
Employee and retiree health insurance .....	-46
Retirement contribution rate change .....	25
Turnover adjustments .....	-2
Other fringe benefit adjustments .....	3

**Other Changes**

Other contractual services .....	24
Communications .....	23
Office supplies .....	21
Additional 0.5 position contractual payroll .....	17
Travel .....	15
Software licenses .....	13
Data processing equipment .....	5
Subscriptions .....	4
Shift to on-demand printing .....	-46
Other changes .....	7

<b>Total</b>	<b>\$121</b>
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Note: The fiscal 2014 working appropriation reflects negative deficiencies and contingent reductions. The fiscal 2015 allowance reflects back of the bill and contingent reductions. Numbers may not sum due to rounding.

## ***Issues***

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### **1. Change in Notary Application Review Affects Secretary of State Workload**

Chapter 450 of 2013, which went into effect on October 1, 2013, allows State senators to opt out of reviewing references for notary public applications and shifts that responsibility to the Secretary of State's office.

As of December 31, 2013, 22 senators have opted out, and the Secretary of State received 9,419 new notary applications and 13,608 renewal applications. To process a single application, data must be entered into a database, which must happen daily in order to process application fees in a timely matter for daily bank deposits. Depending on which legislative district the applicant resides in, staff then performs a cursory background check and either checks applicant references or sends qualifying applications to the appropriate Senator's office for reference verification.

At the time of this writing, there were 477 applications awaiting reference checks. One reason for the backlog is that some senators' staff held onto applications in anticipation of turning them over to the Secretary of State. On October 1, when the law took effect, the Secretary of State had applications dating as far back as June.

The Secretary of State has 2.0 full-time employees with notary responsibilities who also answer phone and email inquiries regarding notary applications. The agency did not add any staff to handle the added responsibilities; the existing notary staff absorbed the extra work with the help of staff elsewhere at the agency. The fiscal 2015 allowance increases the agency's contractual workforce by 0.5 full-time equivalents (FTE), which was the estimate provided in the Department of Legislative Services fiscal note for the bill. **The agency should comment on the impact the change in law has had on the agency and how the backlog will be handled.**



## ***Recommended Actions***

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1. Concur with Governor's allowance.

## ***Current and Prior Year Budgets***

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### **Current and Prior Year Budgets Secretary of State (\$ in Thousands)**

	<b><u>General Fund</u></b>	<b><u>Special Fund</u></b>	<b><u>Federal Fund</u></b>	<b><u>Reimb. Fund</u></b>	<b><u>Total</u></b>
<b>Fiscal 2013</b>					
Legislative Appropriation	\$1,903	\$345	\$0	\$0	\$2,248
Deficiency Appropriation	0	0	0	0	0
Budget Amendments	31	40	0	0	71
Reversions and Cancellations	-7	-21	0	0	-28
<b>Actual Expenditures</b>	<b>\$1,927</b>	<b>\$364</b>	<b>\$0</b>	<b>\$0</b>	<b>\$2,291</b>
<b>Fiscal 2014</b>					
Legislative Appropriation	\$1,925	\$366	\$0	\$0	\$2,291
Budget Amendments	33	2	0	0	34
<b>Working Appropriation</b>	<b>\$1,958</b>	<b>\$368</b>	<b>\$0</b>	<b>\$0</b>	<b>\$2,326</b>

Note: The fiscal 2014 working appropriation does not include deficiencies or contingent reductions. Numbers may not sum to total due to rounding.

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## **Fiscal 2013**

The Secretary of State's fiscal 2013 expenditures were \$43,250 more than the legislative appropriation. General fund expenditures were \$23,868 higher than the appropriation due to an amendment for \$30,000 to realign appropriated funds for health insurance within the executive department, and a \$1,222 amendment to realign appropriations among State agencies for telecommunications expenses. In fiscal 2013, State agencies were assessed a fee for development of a new Statewide Personnel System. That year, the State spent approximately 48% of this major information technology project's appropriated budget, with the remainder reverted to the general fund. The Secretary of State reverted \$7,354 in general funds for its share of this project.

Special fund expenditures increased by \$19,382 over the appropriation due to an amendment for \$30,000 in unexpected revenue from sales of publications, binders, and data. The agency subsequently cancelled \$20,636 in special funds because it was not able to be expended prior to the end of the fiscal year. A budget amendment also added \$10,018 in special funds for the COLA.

## **Fiscal 2014**

Salaries increased by \$32,764 from the general fund and \$1,533 from the special fund due to the distribution of centrally budgeted funds for the COLA and the salary increment increase.

**Object/Fund Difference Report  
Secretary of State**

<u>Object/Fund</u>	<u>FY 13 Actual</u>	<u>FY 14 Working Appropriation</u>	<u>FY 15 Allowance</u>	<u>FY 14 - FY 15 Amount Change</u>	<u>Percent Change</u>
<b>Positions</b>					
01 Regular	24.00	24.00	24.00	0.00	0%
02 Contractual	1.00	1.00	1.50	0.50	50.0%
<b>Total Positions</b>	<b>25.00</b>	<b>25.00</b>	<b>25.50</b>	<b>0.50</b>	<b>2.0%</b>
<b>Objects</b>					
01 Salaries and Wages	\$ 1,901,492	\$ 1,976,564	\$ 1,997,032	\$ 20,468	1.0%
02 Technical and Spec. Fees	21,364	22,303	39,927	17,624	79.0%
03 Communication	95,391	71,819	94,498	22,679	31.6%
04 Travel	28,180	6,026	21,000	14,974	248.5%
07 Motor Vehicles	11,716	4,840	5,110	270	5.6%
08 Contractual Services	147,449	189,075	179,708	-9,367	-5.0%
09 Supplies and Materials	47,748	39,500	60,650	21,150	53.5%
10 Equipment – Replacement	6,169	5,000	10,000	5,000	100.0%
11 Equipment – Additional	7,430	3,000	3,000	0	0%
12 Grants, Subsidies, and Contributions	10,000	0	0	0	0.0%
13 Fixed Charges	14,079	7,570	12,080	4,510	59.6%
<b>Total Objects</b>	<b>\$ 2,291,018</b>	<b>\$ 2,325,697</b>	<b>\$ 2,423,005</b>	<b>\$ 97,308</b>	<b>4.2%</b>
<b>Funds</b>					
01 General Fund	\$ 1,926,630	\$ 1,958,194	\$ 1,967,653	\$ 9,459	0.5%
03 Special Fund	364,388	367,503	455,352	87,849	23.9%
<b>Total Funds</b>	<b>\$ 2,291,018</b>	<b>\$ 2,325,697</b>	<b>\$ 2,423,005</b>	<b>\$ 97,308</b>	<b>4.2%</b>

Note: The fiscal 2014 appropriation does not include deficiencies. The fiscal 2015 allowance does not include contingent reductions.

*DI6A06 – Secretary of State*

Appendix 2

**Fiscal Summary  
Secretary of State**

<u>Program/Unit</u>	<u>FY 13 Actual</u>	<u>FY 14 Wrk Approp</u>	<u>FY 15 Allowance</u>	<u>Change</u>	<u>FY 14 - FY 15 % Change</u>
1000 General Administration	\$ 1,462,889	\$ 1,361,737	\$ 1,492,132	\$ 130,395	9.6%
2000 Division of State Documents	745,667	864,788	825,825	-38,963	-4.5%
3000 International Affairs Division	82,462	99,172	105,048	5,876	5.9%
<b>Total Expenditures</b>	<b>\$ 2,291,018</b>	<b>\$ 2,325,697</b>	<b>\$ 2,423,005</b>	<b>\$ 97,308</b>	<b>4.2%</b>
General Fund	\$ 1,926,630	\$ 1,958,194	\$ 1,967,653	\$ 9,459	0.5%
Special Fund	364,388	367,503	455,352	87,849	23.9%
<b>Total Appropriations</b>	<b>\$ 2,291,018</b>	<b>\$ 2,325,697</b>	<b>\$ 2,423,005</b>	<b>\$ 97,308</b>	<b>4.2%</b>

Note: The fiscal 2014 appropriation does not include deficiencies. The fiscal 2015 allowance does not include contingent reductions.

D16A06 – Secretary of State

Appendix 3