

D16A06
Secretary of State

Operating Budget Data

(\$ in Thousands)

	<u>FY 16</u> <u>Actual</u>	<u>FY 17</u> <u>Working</u>	<u>FY 18</u> <u>Allowance</u>	<u>FY 17-18</u> <u>Change</u>	<u>% Change</u> <u>Prior Year</u>
General Fund	\$1,951	\$1,925	\$1,972	\$47	2.4%
Adjustments	0	0	-7	-7	
Adjusted General Fund	\$1,951	\$1,925	\$1,964	\$39	2.0%
Special Fund	756	848	885	37	4.3%
Adjustments	0	114	-1	-115	
Adjusted Special Fund	\$756	\$962	\$883	-\$78	-8.1%
Reimbursable Fund	3	42	442	400	944.0%
Adjusted Reimbursable Fund	\$3	\$42	\$442	\$400	944.0%
Adjusted Grand Total	\$2,710	\$2,929	\$3,290	\$361	12.3%

Note: Includes targeted reversions, deficiencies, and contingent reductions.

- The adjusted fiscal 2018 allowance increased \$361,000, or 12.3% from the adjusted fiscal 2017 appropriation. There is a \$39,400 general fund increase, after accounting for a \$7,314 general fund decrease for the across-the-board contingent reduction for a supplemental pension payment.
- There is a special fund deficiency appropriation of \$114,000 for 1 charitable enforcement investigator and 1 paralegal, which are both contractual positions filled in fiscal 2017.
- Reimbursable funds increase by \$400,000, or 944.0%, as a result of federal grant funds received through the Governor's Office of Crime Control and Prevention for the Safe at Home Address Confidentiality Program (ACP).

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

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Personnel Data

	<u>FY 16</u> <u>Actual</u>	<u>FY 17</u> <u>Working</u>	<u>FY 18</u> <u>Allowance</u>	<u>FY 17-18</u> <u>Change</u>
Regular Positions	26.00	25.00	25.00	0.00
Contractual FTEs	<u>1.50</u>	<u>3.50</u>	<u>5.50</u>	<u>2.00</u>
Total Personnel	27.50	28.50	30.50	2.00

Vacancy Data: Regular Positions

Turnover and Necessary Vacancies, Excluding New Positions	0.75	3.00%
Positions and Percentage Vacant as of 12/31/16	0.00	0.00

- The number of regular positions in fiscal 2018 is 25, which is the same as fiscal 2017.
- The agency's allowance includes 2 additional contractual full-time equivalents in fiscal 2018 for 1 charitable registration officer and 1 charitable enforcement officer.
- The Secretary of State currently has no vacant positions.

Analysis in Brief

Major Trends

Maryland Sister States Program: The Maryland Sister States Program promotes relationships with international partners to create a mutually beneficial relationship between Maryland, foreign governments, and their citizens. This program continues to host delegations from various countries and to develop new Sister States.

Issues

Understaffing: This issue illustrates understaffing in the agency and how it has affected the work performed by the Charitable Enforcement, the Notary Public, and ACP divisions. **The Department of Legislative Services (DLS) recommends that the Secretary of State discuss the role that staffing has played in its operations. DLS also recommends that the Secretary of State discuss the role that new staff will play in the execution and expansion of current programs.**

Recommended Actions

1. Concur with Governor's allowance.

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Operating Budget Analysis

Program Description

The Maryland Constitution and applicable statutes charge the Secretary of State with a wide variety of responsibilities. The Secretary of State attests to the Governor's signature on all public papers and documents; certifies documents for international use; registers trademarks, service marks, and insignia; administers the Notary Public laws; processes extraditions; assists in the commissioning of special police and the Executive Department in intergovernmental and international affairs; and administers the Address Confidentiality Program (ACP) for domestic violence victims in Maryland.

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

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

The key goals of the Secretary of State are to:

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

Performance Analysis: Managing for Results

1. Maryland Sister States Program

The Maryland Sister States Program, housed in the International Division of the Secretary of State, was established in 1980 for the promotion of international cooperation and understanding. The Maryland Sister States Program is tasked with the development of business, governmental and social relationships between sister state counterparts. Since the program's inception, there have been 19 relationships developed with various countries as outlined in **Exhibit 1**. The program is currently

working to develop a new sister state relationship in Peru. These relationships can be developed with initiation from the Secretary of State, the Sister State counterpart, or citizens in the Maryland community willing to volunteer as a part of a sister state committee.

Exhibit 1
Current Maryland Sister States Programs and the Year Established

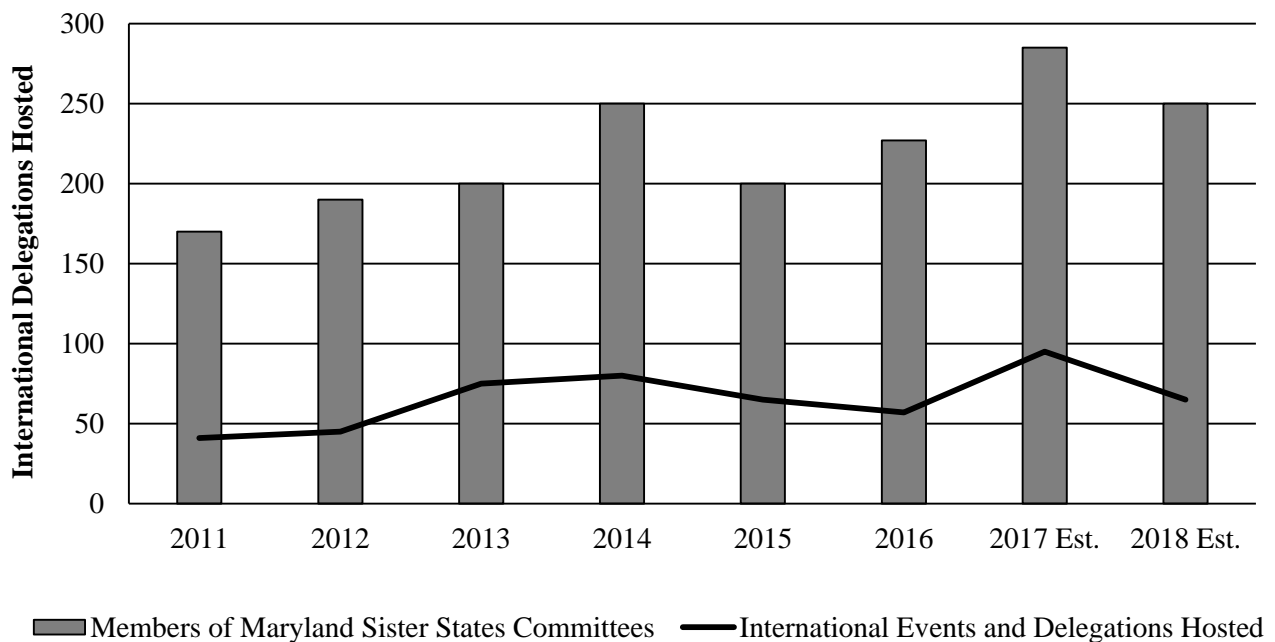
<u>Location</u>	<u>Country</u>	<u>Year Established</u>
Anhui Province	China	1980
Kanagawa Prefecture	Japan	1981
Nord-Pas de Calais	France	1981
Walloon Region	Belgium	1989
Gyeongsangnam-Do	Korea	1991
Rio de Janeiro	Brazil	1999
Lodz Region	Poland	1993
Lenigrad Oblast	Russia	1993
State of Jalisco	Mexico	1993
Bong and Maryland Counties	Liberia	2007
Harju County	Estonia	2009
Ninh Thuan Province	Vietnam	2011
Kocaeli Municipality	Turkey	2012
County Cork	Ireland	2013
Ondo and Cross River States	Nigeria	2013
KwaZulu – Natal	South Africa	2015
Negev Region	Israel	2016

Source: Secretary of State

The Maryland Sister States Program relies heavily on the volunteer committees for each sister state relationship. The program excels because of the expertise of volunteers in fostering relationships that promote social and economic growth. The committees are largely comprised of Marylanders from a broad section of society including the business, academic, government and cultural fields who would like to represent Maryland in hosting a delegation. The role of hosting is highly flexible because different delegations are interested in different elements of culture and government. For example, if a delegation of government accountants visited from China, they may be interested in meeting with the Comptroller's Office or the Department of Budget and Management. If a delegation of artists visited from Nigeria, they may be more interested in the Maryland State Arts Council, the art collection at the Maryland State Archives, and some of the museums throughout Maryland.

Exhibit 2 outlines the number of sister state delegations hosted by the Maryland committees, as well as the number of committee volunteers. While the number of sister states committee volunteers decreased from fiscal 2014 to 2015, there has been an increase from fiscal 2015 to 2016. Some committees are more active than others as the demographics of the Maryland population changes and the international relationships the United States has with the country evolves. All of the work of the committees is done voluntarily which also contributes to fluctuations in engagement. The fluctuation in engagement as well as the interest in foreign countries to send delegations has also contributed to a slight decline in the number of events held and delegations hosted for fiscal 2016. The Secretary of State plans to increase both committee membership and events with several events already taking place in fiscal 2017. One such event included a sister states’ exhibit being opened at Thurgood Marshall Baltimore-Washington International Airport with the sister state in Japan, and the Japanese government sent officials to take part in the unveiling and subsequent reception.

Exhibit 2
International Meetings, Events Hosted, and Sister States Volunteers
Fiscal 2011-2018 Est.



Source: Secretary of State

Fiscal 2017 Actions

Deficiency

There is a proposed deficiency for fiscal 2017 of \$113,662 in special funds for 1 contractual charities enforcement investigator and 1 contractual paralegal in the Charity Enforcement and Legal Services Division to follow up with delinquent charities.

Cost Containment

In November 2016, the Board of Public Works (BPW) reduced the fiscal 2017 appropriation of the Secretary of State by \$60,000, resulting in the loss of 1 contractual programmer and an increase in contractual turnover.

Proposed Budget

As seen in **Exhibit 3**, the Secretary of State's fiscal 2018 budget increases by \$361,000. The largest change is an increase of \$400,000 in reimbursable funds. The increase in reimbursable funds is the result of federal grant funds received through the Governor's Office of Crime Control and Prevention (GOCCP) for the Safe at Home ACP. ACP received both Victims of Crime Act and the Violence Against Women Act funds through its Memoranda of Understanding with GOCCP which accounts for the increase in the fiscal 2018 allowance.

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

How Much It Grows:	<u>General Fund</u>	<u>Special Fund</u>	<u>Reimb. Fund</u>	<u>Total</u>
Fiscal 2016 Actual	\$1,951	\$756	\$3	\$2,710
Fiscal 2017 Working Appropriation	1,925	962	42	2,929
Fiscal 2018 Allowance	<u>1,964</u>	<u>883</u>	<u>442</u>	<u>3,290</u>
Fiscal 2017-2018 Amount Change	\$39	-\$78	\$400	\$361
Fiscal 2017-2018 Percent Change	2.0%	-8.1%	944.0%	12.3%

Where It Goes:

Personnel Expenses

Employee and retiree health insurance	\$40
Reclassifications	22
Other fringe benefits and adjustments	12

Contractual Positions

Contractual positions for the Address Confidentiality Program and charitable enforcement.....	317
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Other Changes

Postage (Notary Public renewal reminders).....	22
Printing for the <i>Code of Maryland Regulations</i>	-20
Software licenses and information technology services shifted to DoIT	-37
Miscellaneous adjustments	5

Total	\$361
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DoIT: Department of Information Technology

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

Across-the-board Reductions

The fiscal 2018 budget bill includes a \$54.5 million (all funds) across-the-board contingent reduction for a supplemental pension payment. Annual payments are mandated for fiscal 2017 through 2020 if the Unassigned General Fund balance exceeds a certain amount at the close of the fiscal year. This agency's share of these reductions is \$7,314 in general funds and \$1,263 in special funds. This action is tied to a provision in the Budget Reconciliation and Financing Act of 2017.

Contractual Positions

In fiscal 2017, there was a need to maintain up-to-date information on delinquent charities and to continue to follow up with them to ensure financial transparency. In order to complete this task and ensure that a backlog of delinquent charities did not develop, the Secretary of State hired 1 contractual charity enforcement investigator and 1 paralegal for the Charity and Legal Services Division. These contractual positions resulted in a fiscal 2017 deficiency appropriation of \$114,000 and are represented in the fiscal 2018 contractual full-time equivalent (FTE) increase. In addition to these positions, there are 4 other contractual positions for the ACP as a result of the increase in reimbursable funds from GOCCP. These contractual positions result in a net increase of \$317,000 in the fiscal 2018 allowance after taking the deficiency into account.

Charity and Legal Services Division

In the Secretary of State, the Charity and Legal Services Division houses all of the Charity Enforcement and Notary Public activities. There is a \$22,000 general fund increase in postage for Notary Public Commission renewal reminders. There was an initial decline in the number of mailed renewal reminders as the Secretary of State was transitioning to an electronic reminder format. This process became complicated when several Notary Publics email addresses changed or the emails were not sent because of misspelled email addresses. To ensure Notary Publics received timely reminders, while the Secretary of State continues to collect email addresses, there has been an increase in the number of traditionally mailed reminders.

Other Changes

The Secretary of State currently has an outside printing contract. As the rates for contractual printing have increased, the agency has adjusted to do more document printing in-house. As a result, there is a \$20,000 special fund decrease in printing costs.

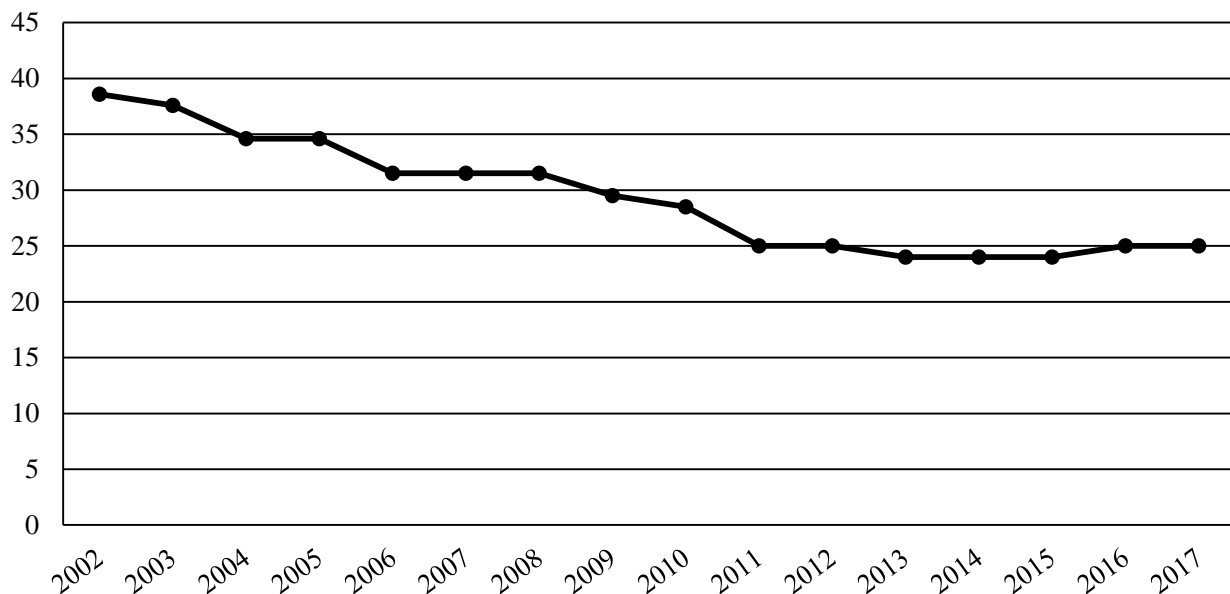
As a part of the new Department of Information Technology (DoIT) enterprise system, there is a \$37,000 special fund decrease for software licenses and other information technology costs that will now be covered by DoIT directly.

Issues

1. Understaffing

Since fiscal 2002, there has been a significant decline in the number of regular positions in the Office of the Secretary of State. The agency has lost over 30% of its workforce. As seen in **Exhibit 4**, in fiscal 2002 there were 40.8 FTEs with 2.2 of those positions being contractual. By fiscal 2017, that number has been reduced to 28.0 with 3.5 contractual FTEs. The decline in the number of staff has had an effect on the agency's ability to fulfill its mission. The two divisions most affected are the Charitable Enforcement Division and the Notary Publics Division. Both divisions have experienced major backlogs in recent years indicating a larger issue in staffing.

Exhibit 4
Number of Full-time Regular Positions in Secretary of State
Fiscal 2002-2017

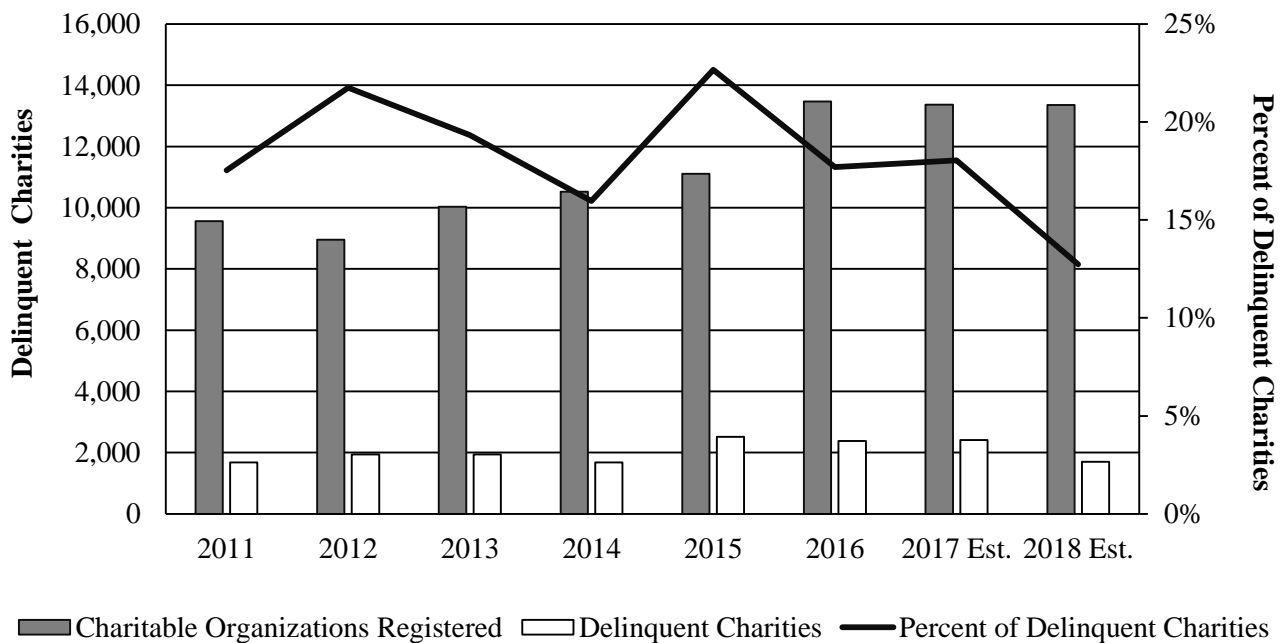


Source: Department of Budget and Management

Charitable Enforcement

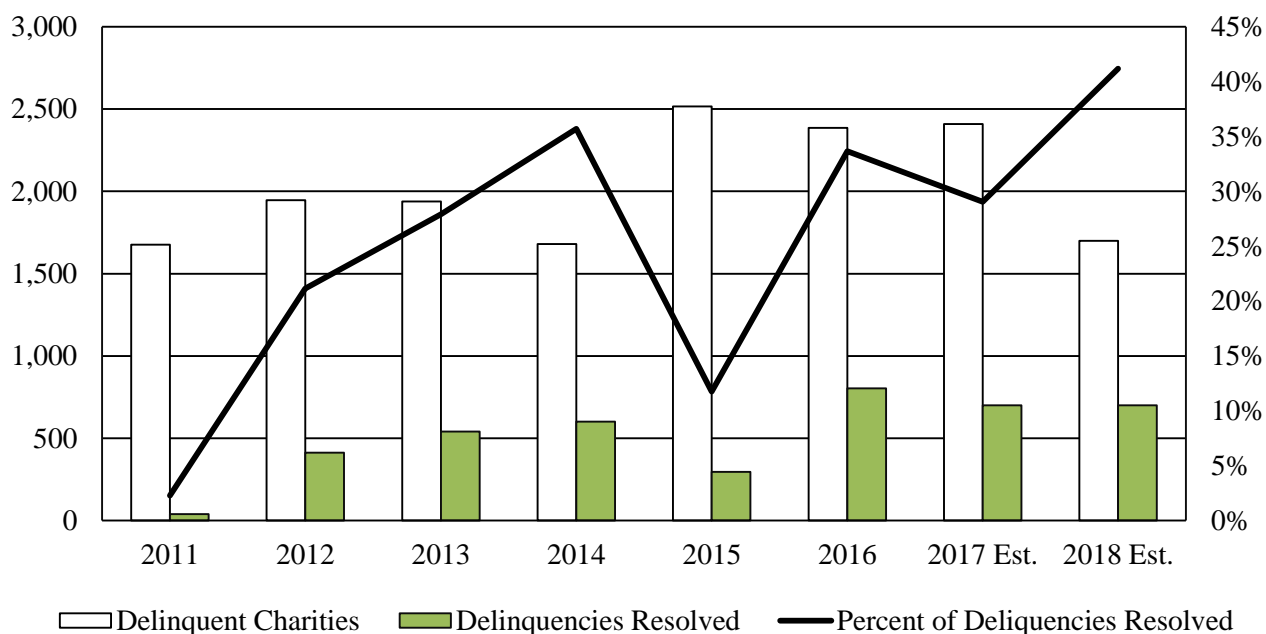
Sections 6-407 and 6-408 of the Business Regulation Article require charities, with some exceptions, to submit an annual fee and an annual report to the Secretary of State. Charities often submit their filings late or not at all, which causes them to fall into delinquent status until they are compliant. **Exhibit 5** shows that there are generally 15% to 20% of the total registered charities that are in delinquent status. **Exhibit 6** also shows the contrast in the number of delinquent charities compared to the number of delinquencies resolved. The number of delinquencies resolved had been improving through fiscal 2014 although it was still only 36%. That fell to 12% in fiscal 2013 but improved in fiscal 2016 to 34% but is still relatively low. The Secretary of State was also hampered in taking enforcement actions against delinquent charities until a new assistant Attorney General position was approved by BPW and was filled in September 2015, the position is being funded by special funds in the Charitable Enforcement Fund.

Exhibit 5
Registered Charitable Organizations, Delinquent Charities, and Percent of
Delinquent Charities
Fiscal 2011-2018 Est.



Source: Secretary of State

Exhibit 6
Delinquent Charities and Delinquencies Resolved
Fiscal 2011-2018 Est.



Source: Secretary of State

Notary Publics

While there was a backlog in the delinquent charity follow ups, there was also a backlog in the Notary Public Commissions issued by the Secretary of State. Section 18-101 *et seq.* of the State Government Article, outlines the role of the Secretary of State in commissioning and providing renewals of Notary Publics throughout the State.

The role of a Notary Public is to

- act as a witness in the notary's official capacity;
- receive the acknowledgement of certain written instruments;
- administer oaths according to law in civil matters;
- make protests and declarations in certain commercial transactions;

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- complete a certificate under the notary's official seal that the notary has performed any of these duties; and
- certify a copy of a record in his or her fair register of official acts.

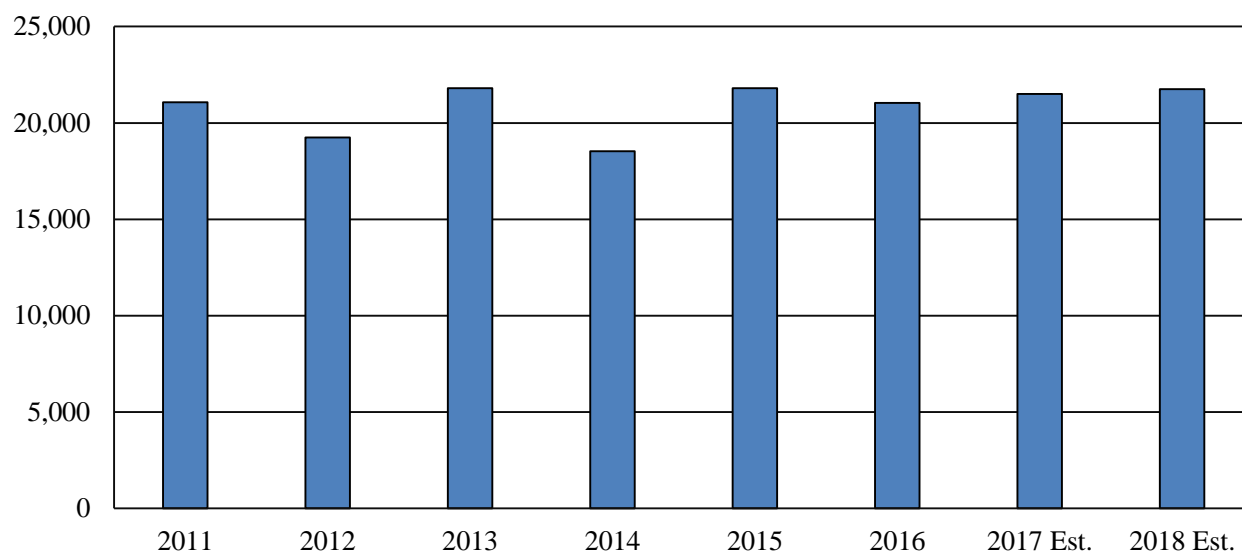
To apply for an appointment as a Notary Public, you have to be

- at least 18 years of age;
- of known good character, integrity, and abilities; and
- living or working in the State of Maryland.

Potential and renewing notaries submit their application to the Secretary of State with a nonrefundable processing fee. The application is then entered into the notary system and the Secretary of State does an in-house background check that consists of a LexisNexis search and a court records case search. The application is then sent to the State senator of the applicant's senatorial district. If the senator approves the application, it is returned to the Secretary of State where the appointment is made upon approval of the Governor. Once the Governor approves the application, the commission is printed and sent to the new or renewed notary's local courthouse where they are to be sworn in. The transfer of the commission to the courthouse can take 7 to 10 business days depending on the mail, and the intake processing time for the court. Once a notary is sworn in, they receive a qualification date from the court. The court then notifies the Secretary of State of the qualification date, which is entered into the Notary database.

Exhibit 7 shows the number of Notary Publics commissioned annually. The court is supposed to submit the qualification date to the Secretary of State so that the notary application can be marked as completed. There have been delays in receiving the qualification dates for new and renewed notaries that has resulted in backlogs for the agency. This could pose a serious problem for the notaries because if the Secretary of State does not receive the qualification date, they cannot close the application and without a closed application, the notary cannot be searched on the notary search website that the Secretary of State manages. Without being listed on the notary search, it is very difficult for notaries to attract clientele. While the Secretary of State does not have control over the processing of the notary applications by the senators and the courts, similar to charitable enforcement, the agency does not have the staff to adequately follow up on delayed documents.

Exhibit 7
Notary Public Commissions Processed
Fiscal 2011-2018 Est.



Source: Secretary of State

The Secretary of State receives an average of 100 to 125 new and renewing applications by mail for notaries daily. These applications are processed by two full-time staff. In addition to processing new paper applications, the staff manages all of the online applications and responds to notary-related inquiries both by phone and through email. It has proved difficult for two staff to stay above the large influx of applications in various stages of processing and as a result, in October 2015, there were over 10,000 backlogged notary applications. During this time, the Secretary of State had to hire four temporary staff to help address the backlog. As of December 2016, the backlog has been largely addressed and there are currently 609 applications in various stages of processing. Because the backlog was taken care of through the use of temporary personnel, it would indicate that this could be an ongoing or recurring issue if understaffing is not systematically addressed.

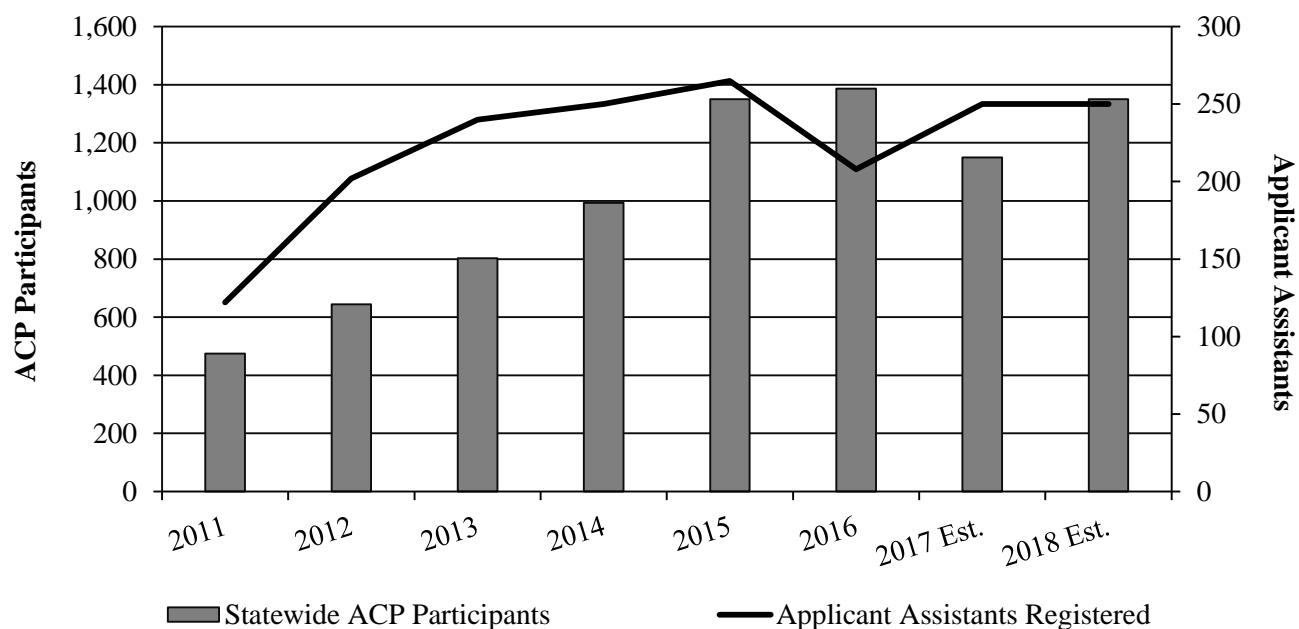
Address Confidentiality Program

The Secretary of State is also responsible for the Safe At Home ACP that was established by Chapters 374 and 375 of 2006 to serve survivors of domestic abuse by rerouting their mail so that their abusers cannot locate the survivors address. The program has recently been expanded to include human trafficking survivors. ACP, currently comprised of 3 staffers, recruits domestic violence professionals to serve as volunteer application assistants to help potential participants enroll in the program. Once an applicant is enrolled, they are given a mail post office (PO) box to receive their mail. The ACP coordinator then picks up the mail daily from the PO box and reroutes it to the participants' home

address. This serves as a barrier to prevent access of the participants address from being easily searchable by their abusers. Since its inception, the program has seen significant growth as illustrated in **Exhibit 8**. The program has shown consistent annual increases both in the number of participants and the pieces of mail forwarded each year. The program has also added human trafficking victims to the participants served, which will produce even higher numbers of participants. While the number of ACP participants has steadily increased, the number of application assistants has decreased, in part, because of the growth of the program and the subsequent demand for mail processing and has inhibited the capacity of program coordinators to attend recruitment for volunteers.

There is also an estimated decline in the number of ACP participants for fiscal 2017 and 2018. This is because with the new staff, the program is better equipped to maintain more up-to-date data. Before the recently received Victims of Crime Act funds, the current staff did not have the capacity to update the data and follow up with inactive participants either to reengage them or formally end their participation. The Secretary of State estimates that as the result of their updating process there will be some decline in enrolled participants for ACP.

Exhibit 8
ACP Participants and Pieces of Mail Forwarded
Fiscal 2011-2018 Est.



ACP: Address Confidentiality Program

Source: Secretary of State

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The Department of Legislative Services (DLS) recommends that the Secretary of State discuss the role that understaffing plays in its operations. DLS also recommends that the Secretary of State discuss the role that new contractual staff will play in the execution and expansion of current programs.

Recommended Actions

1. Concur with Governor's allowance.

Appendix 1
Current and Prior Year Budgets
Secretary of State
(\$ in Thousands)

	<u>General</u> <u>Fund</u>	<u>Special</u> <u>Fund</u>	<u>Federal</u> <u>Fund</u>	<u>Reimb.</u> <u>Fund</u>	<u>Total</u>
Fiscal 2016					
Legislative Appropriation	\$1,902	\$516	\$0	\$0	\$2,419
Deficiency Appropriation	0	0	0	0	0
Budget Amendments	50	308	0	23	381
Reversions and Cancellations	-1	-68	0	-20	-89
Actual Expenditures	\$1,951	\$756	\$0	\$3	\$2,710
Fiscal 2017					
Legislative Appropriation	\$1,950	\$848	\$0	\$0	\$2,798
Cost Containment	-60	0	0	0	-60
Budget Amendments	35	0	0	42	78
Working Appropriation	\$1,925	\$848	\$0	\$42	\$2,815

Note: Does not include targeted reversions, deficiencies, and contingent reductions. Numbers may not sum to total due to rounding.

Fiscal 2016

The fiscal 2016 legislative appropriation for the Secretary of State was increased by \$380,735 through budget amendments. General funds increased by \$49,664, with \$28,000 to restore a 2% pay reduction and \$20,000 for the Contingency Fund operating costs and telecommunications. There was \$1,421 in reverted general funds because of a higher appropriation than was needed from the Contingency Fund budget amendment.

The special fund appropriation increased by \$308,439 including \$210,439 for 1.0 contractual programmer, \$94,000 for other contractual positions, and \$4,000 to restore a 2% pay reduction. There was \$68,297 in canceled special funds for the charitable enforcement program operations costs.

Budget amendments increased reimbursable funds by \$22,632 for the Safe At Home program funds received from the Governor's Office of Crime Control and Prevention (GOCCP). There was \$19,666 in canceled reimbursable funds because the Safe at Home grant award was received later than anticipated. The funds will be appropriated in fiscal 2017.

Fiscal 2017

To date, the fiscal 2017 legislative appropriation increased by \$17,725. General funds increased \$35,393 by budget amendment for statewide salary adjustments. Cost containment decreased general funds by \$60,000. Budget amendments also increased reimbursable funds by \$42,332 for the Safe at Home program from federal grants received by GOCCP.

Appendix 2
Object/Fund Difference Report
Secretary of State

<u>Object/Fund</u>	<u>FY 16 Actual</u>	<u>FY 17 Working Appropriation</u>	<u>FY 18 Allowance</u>	<u>FY 17 - FY 18 Amount Change</u>	<u>Percent Change</u>
Positions					
01 Regular	26.00	25.00	25.00	0.00	0%
02 Contractual	1.50	3.50	5.50	2.00	57.1%
Total Positions	27.50	28.50	30.50	2.00	7.0%
Objects					
01 Salaries and Wages	\$ 2,238,868	\$ 2,268,309	\$ 2,351,149	\$ 82,840	3.7%
02 Technical and Spec. Fees	19,784	113,206	544,077	430,871	380.6%
03 Communication	97,004	56,551	82,711	26,160	46.3%
04 Travel	26,813	51,840	64,222	12,382	23.9%
07 Motor Vehicles	9,691	8,962	29,701	20,739	231.4%
08 Contractual Services	245,142	213,716	160,464	-53,252	-24.9%
09 Supplies and Materials	48,270	46,200	33,725	-12,475	-27.0%
10 Equipment – Replacement	1,441	26,300	6,185	-20,115	-76.5%
11 Equipment – Additional	8,499	14,500	8,000	-6,500	-44.8%
13 Fixed Charges	14,392	15,720	18,005	2,285	14.5%
Total Objects	\$ 2,709,904	\$ 2,815,304	\$ 3,298,239	\$ 482,935	17.2%
Funds					
01 General Fund	\$ 1,950,643	\$ 1,924,971	\$ 1,971,685	\$ 46,714	2.4%
03 Special Fund	756,295	848,001	884,623	36,622	4.3%
09 Reimbursable Fund	2,966	42,332	441,931	399,599	944.0%
Total Funds	\$ 2,709,904	\$ 2,815,304	\$ 3,298,239	\$ 482,935	17.2%

Note: Does not include targeted reversions, deficiencies, and contingent reductions.

**Appendix 3
Fiscal Summary
Secretary of State**

<u>Program/Unit</u>	<u>FY 16 Actual</u>	<u>FY 17 Wrk Approp</u>	<u>FY 18 Allowance</u>	<u>Change</u>	<u>FY 17 - FY 18 % Change</u>
01 Office of the Secretary of State	\$ 2,709,904	\$ 2,815,304	\$ 3,298,239	\$ 482,935	17.2%
Total Expenditures	\$ 2,709,904	\$ 2,815,304	\$ 3,298,239	\$ 482,935	17.2%
General Fund	\$ 1,950,643	\$ 1,924,971	\$ 1,971,685	\$ 46,714	2.4%
Special Fund	756,295	848,001	884,623	36,622	4.3%
Total Appropriations	\$ 2,706,938	\$ 2,772,972	\$ 2,856,308	\$ 83,336	3.0%
Reimbursable Fund	\$ 2,966	\$ 42,332	\$ 441,931	\$ 399,599	944.0%
Total Funds	\$ 2,709,904	\$ 2,815,304	\$ 3,298,239	\$ 482,935	17.2%

Note: Does not include targeted reversions, deficiencies, and contingent reductions.

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