

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

***Operating Budget Data***

(\$ in Thousands)

	<u>FY 17</u> <u>Actual</u>	<u>FY 18</u> <u>Working</u>	<u>FY 19</u> <u>Allowance</u>	<u>FY 18-19</u> <u>Change</u>	<u>% Change</u> <u>Prior Year</u>
General Fund	\$2,118	\$1,964	\$2,164	\$199	10.2%
Adjustments	0	168	14	-155	
<b>Adjusted General Fund</b>	<b>\$2,118</b>	<b>\$2,133</b>	<b>\$2,178</b>	<b>\$45</b>	<b>2.1%</b>
Special Fund	882	883	863	-20	-2.3%
Adjustments	0	-3	7	10	
<b>Adjusted Special Fund</b>	<b>\$882</b>	<b>\$880</b>	<b>\$870</b>	<b>-\$10</b>	<b>-1.2%</b>
Reimbursable Fund	187	442	364	-78	-17.5%
Adjustments	0	0	0	0	
<b>Adjusted Reimbursable Fund</b>	<b>\$187</b>	<b>\$442</b>	<b>\$364</b>	<b>-\$78</b>	<b>-17.5%</b>
<b>Adjusted Grand Total</b>	<b>\$3,187</b>	<b>\$3,455</b>	<b>\$3,412</b>	<b>-\$43</b>	<b>-1.2%</b>

Note: FY 18 Working includes targeted reversions, deficiencies, and across-the-board reductions. FY 19 Allowance includes contingent reductions and cost-of-living adjustments.

- General funds increase 2.1% largely due to increased personnel costs for health insurance and a general salary increase.
- Reimbursable funds decreased by 17.5%, as a result of the removal of one-time fiscal 2018 federal grant funds received through the Governor's Office of Crime Control and Prevention for the Safe at Home Address Confidentiality Program (ACP) partially offset by a Victims of Crimes grant.

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

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## ***Personnel Data***

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	<b><u>FY 17</u></b>	<b><u>FY 18</u></b>	<b><u>FY 19</u></b>	<b><u>FY 18-19</u></b>
	<b><u>Actual</u></b>	<b><u>Working</u></b>	<b><u>Allowance</u></b>	<b><u>Change</u></b>
Regular Positions	25.00	25.00	25.00	0.00
Contractual FTEs	<u>10.50</u>	<u>5.50</u>	<u>8.50</u>	<u>3.00</u>
<b>Total Personnel</b>	<b>35.50</b>	<b>30.50</b>	<b>33.50</b>	<b>3.00</b>

### ***Vacancy Data: Regular Positions***

Turnover and Necessary Vacancies, Excluding New Positions	0.00	0.00%
Positions and Percentage Vacant as of 12/31/17	0.00	0.00%

- There are no changes in regular positions for the Secretary of State.
- Three contractual positions are added to support Charitable Enforcement and the ACP.

## ***Analysis in Brief***

### **Major Trends**

***Maryland Sister States Program:*** The Maryland Sister States Program promotes relationships between Maryland and international partners. The program increased the number of delegations hosted in fiscal 2017.

***Safe at Home Address Confidentiality Program:*** With the addition of new staff, the ACP has been able to obtain more accurate and current data on program participants. ACP has also begun to conduct trainings for more applicant assistants to expand the program.

### **Issues**

***Staffing Study:*** There have been backlogs for both Charitable Enforcement and the processing of Notary Public applications largely due to staffing. The proposed fiscal 2019 budget does attempt to alleviate some of the staffing concerns in the Secretary of State. **The Department of Legislative Services recommends that the Secretary of State comment on current staffing and how the addition of 3 contractual positions will affect staffing concerns.**

## **Operating Budget Recommended Actions**

1. Concur with Governor's allowance.

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## ***Operating Budget Analysis***

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### **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; assists 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 the *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.

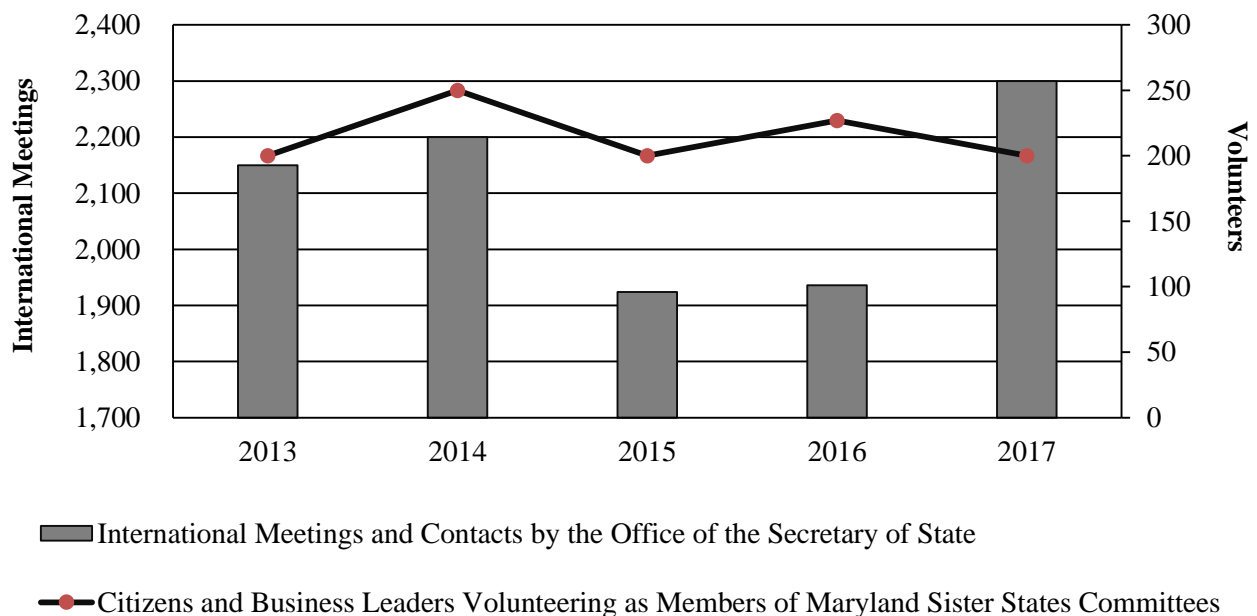
### **Performance Analysis: Managing for Results**

#### **1. Maryland Sister States Program**

The Maryland Sister States Program 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 business, academic, government, and cultural fields who would like to represent Maryland in hosting a delegation. **Exhibit 1** outlines the number of sister state delegations hosted by the Maryland committees, as well as the number of committee volunteers. While

the number of volunteers decreased slightly in fiscal 2017 from 227 to 200, there has been a notable increase in the number of international meetings and contacts, from 1,936 in fiscal 2016 to 2,300 in fiscal 2017. Some committees are more active than others as the demographics of the Maryland population changes and the international relationships that the United States has with the relevant country evolves. All of the work of the committees is done voluntarily, which also contributes to fluctuations in engagement.

**Exhibit 1**  
**International Meetings, Events Hosted, and Sister States Volunteers**  
**Fiscal 2013-2017**



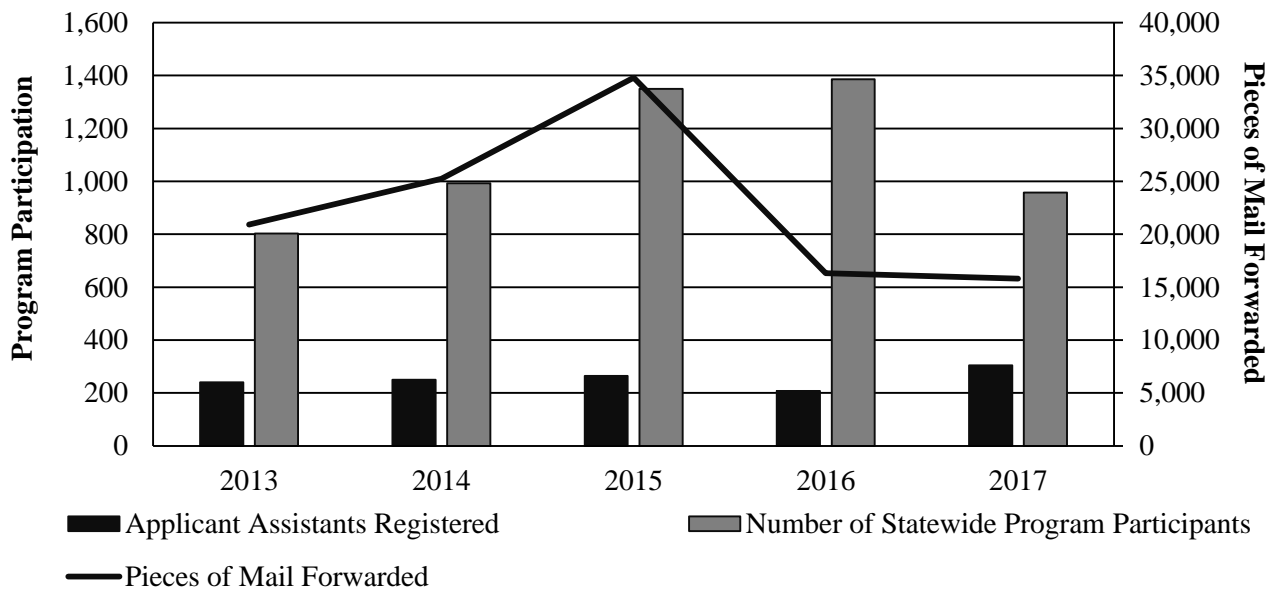
Source: Secretary of State

## 2. Safe at Home Address Confidentiality Program

The Secretary of State is 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 their address can remain confidential. **Exhibit 2** outlines the number of program applicants registered and re-enrolled. There has been a decline in the number of participants in fiscal 2017 that is the result of clearing old data. The program has recently gained additional staff through the federal Victims of Crimes Act funding, which has created the opportunity for more thorough recordkeeping. With the additional staff, the program has also begun providing trainings for application assistants who can help register potential program participants. In fiscal 2017, 31 trainings were conducted with an expected increase to 50 trainings in fiscal 2018. While the Violence Against Women federal grant was a one-time

grant, the additional contractual positions proposed in the fiscal 2019 budget are funded in part by the Victims of Crimes federal grant and will support the current ACP operations.

**Exhibit 2**  
**ACP Participation**  
**Fiscal 2013-2017**



ACP: Address Confidentiality Program

Source: Secretary of State

## Fiscal 2018 Actions

### Proposed Deficiency

There is a proposed deficiency for fiscal 2018 of \$197,000 in general funds for personnel expenses related to the Charitable Enforcement and Legal Services Division.

### Across-the-board Employee and Retiree Health Insurance Reduction

The budget bill includes an across-the-board reduction for employee and retiree health insurance in fiscal 2018 to reflect a surplus balance in the fund. This agency's share of this reduction is \$28,521 in general funds and \$3,382 in special funds.

## Proposed Budget

As seen in **Exhibit 3**, the Secretary of State’s fiscal 2019 budget decreases by \$43,000. There is a \$72,000 increase in regular personnel expenses. After accounting for the fiscal 2018 deficiency, the key changes in costs are \$32,000 in health insurance costs, primarily due to the fiscal 2018 health deduction holidays and the general salary increase. The fiscal 2019 allowance includes funds for a 2.0% general salary increase for all State employees, effective January 1, 2019. These funds are budgeted in the Department of Budget and Management’s statewide program and will be distributed to agencies during the fiscal year. This agency’s share of the general salary increase is \$13,799 in general funds and \$6,640 in special funds. In addition, employees will receive another 0.5% increase and a \$500 bonus effective April 1, 2019, if actual fiscal 2018 general fund revenues exceed the December 2017 estimate by \$75 million. These funds have not been budgeted. The Administration will need to process a deficiency appropriation if revenues are \$75 million more than projected.

In total, the personnel budget allows the Secretary of State to fill all of its regular positions.

Elsewhere, there is a \$153,000 increase for 3 contractual positions to support the ACP. These positions are funded through a Victims of Crimes Act federal grant. As the work of the division expands there is an increased need for staff. This increase in contractual employees parallels the recommendations presented at the Spending Affordability Committee briefing to add 3 additional full-time equivalent (FTE) positions. There is a \$19,000 increase for travel in fiscal 2019 in preparation for any trips in which the Secretary of State accompanies the Governor or the First Lady. There is also a \$16,000 increase in postage as a result of increased services provided by the ACP.

There is a \$267,000 decrease in funding for the one-time Violence Against Women Act federal grant from the Governor’s Office of Crime Control and Prevention.

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

<b>How Much It Grows:</b>	<b><u>General Fund</u></b>	<b><u>Special Fund</u></b>	<b><u>Reimb. Fund</u></b>	<b><u>Total</u></b>
Fiscal 2017 Actual	\$2,118	\$882	\$187	\$3,187
Fiscal 2018 Working Appropriation	2,133	880	442	3,455
Fiscal 2019 Allowance	<u>2,178</u>	<u>870</u>	<u>364</u>	<u>3,412</u>
Fiscal 2018-2019 Amount Change	\$45	-\$10	-\$78	-\$43
Fiscal 2018-2019 Percent Change	2.1%	-1.2%	-17.5%	-1.2%



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**Where It Goes:**

**Personnel Expenses**

Health insurance reduction primarily due to the fiscal 2018 health deduction holidays .....	\$32
General salary increase .....	20
Fringe benefit adjustments .....	20

**Other Changes**

Contractual positions funded through the Victims of Crimes Act federal grant.....	153
International travel for the Secretary of State .....	19
Postage for the Address Confidentiality Program.....	16
Subscriptions and association dues .....	-4
Equipment, software, and supplies .....	-6
One-time vehicle purchase and maintenance .....	-24
Violence against women one-time grant.....	-267
Miscellaneous .....	-2

<b>Total</b>	<b>-\$43</b>
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Note: Numbers may not sum to total due to rounding.

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## Issues

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### 1. Staffing Study

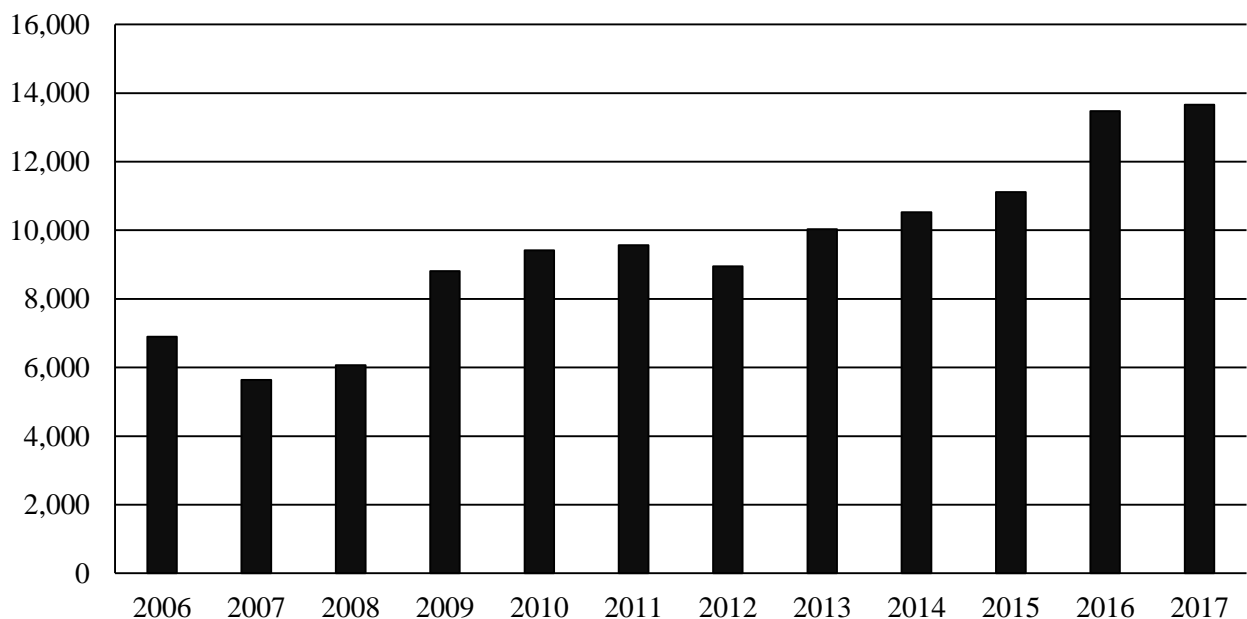
Understaffing has gradually become a problem for the Secretary of State. As the number of staff decline, the agency's ability to perform essential tasks has been compromised. This is most evident in the Notary Division and the Charitable Enforcement Division, as both have experienced significant backlogs.

#### Charitable Enforcement

As seen in **Exhibit 4**, since fiscal 2006, the number of charitable organizations registered has more than doubled. The staffing complement has not kept pace, resulting in issues enforcing regulations and following up with delinquent charities. This is evidenced by a finding in the agency's 2011 legislative audit that was repeated in 2014. In response to both of those audit findings, the Secretary of State agreed with the finding and cited staffing levels as a part of the hindrance for adequate maintenance of records.

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**Exhibit 4**  
**Charities Registered in Maryland**  
**Fiscal 2006-2017**

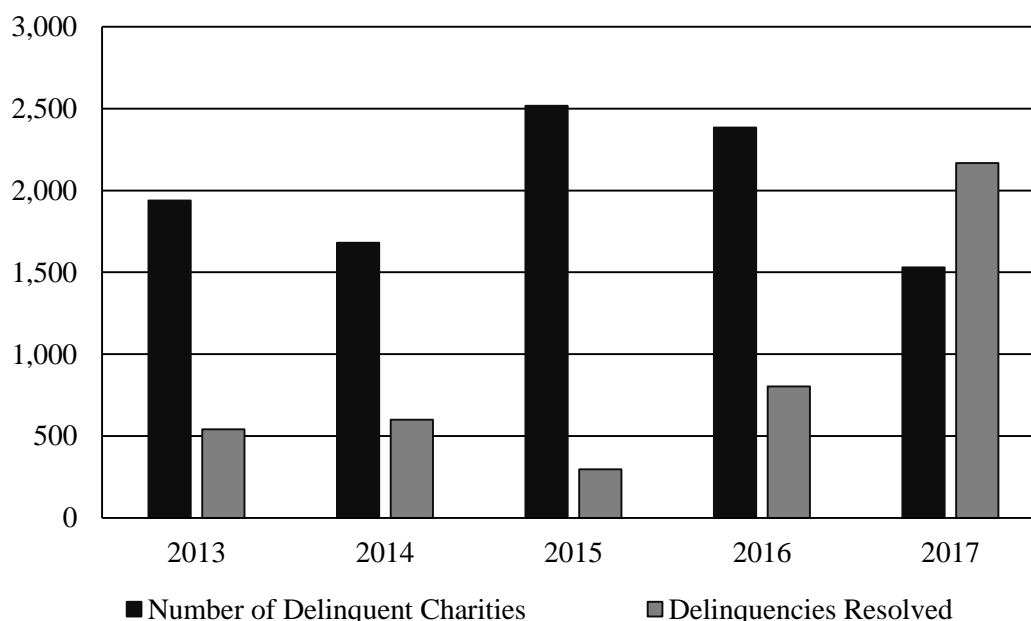


Source: Secretary of State

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The decline in the number of delinquent charities can be attributed to the addition of the new assistant Attorney General in September 2015 to assist with charitable enforcement actions. **Exhibit 5** shows a decrease in the number of delinquent charities and an increase in the number of delinquencies resolved.

**Exhibit 5**  
**Charitable Enforcement Activities**  
**Fiscal 2013-2017 (Est.)**

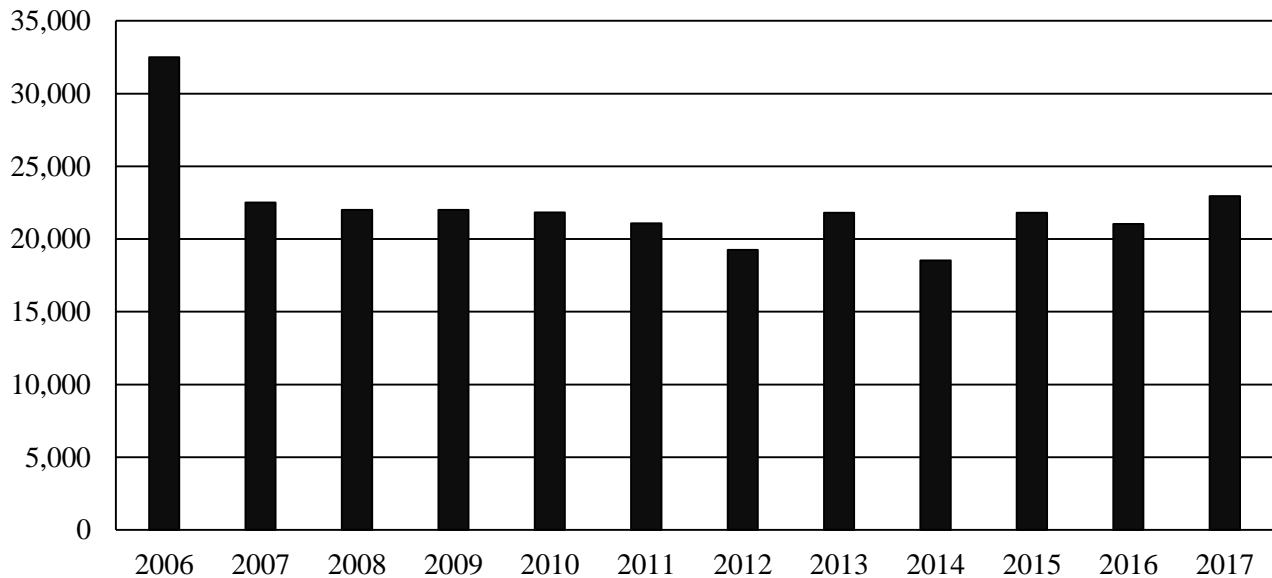


Source: Secretary of State

## Notary Division

While the Notary Division has had 2 positions for several years, there has been an increase in the number of notary applications processed in recent years, combined with an expansion in the role of the Secretary of State in notary application processing. As shown in **Exhibit 6**, notary public commissioned processed and commissioned have increased 9% from fiscal 2016 to 2017. In addition, Chapter 450 of 2013 allowed State senators to delegate their authority for approving notary public applicants to the Secretary of State. The Secretary of State is currently responsible for conducting background and reference checks on each notary applicant for 22 State senators in addition to regular administrative duties. The combined effect of these changes has increased the workload of the department. An additional notary investigator would assist in maintaining the timely processing of notary applications.

**Exhibit 6**  
**Notaries Public Commissioned**  
**Fiscal 2006-2017**



Source: Secretary of State

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The proposed fiscal 2019 budget reduces turnover expectancy to support the Secretary of State having all of their FTE positions filled and additional contractual positions to support both charity and legal services. SB 86 of 2018, if passed, would add 2 regular FTEs to support the Charitable Enforcement and Legal Services Division with revenues from late fees related to annual reporting requirements for charities. **The Secretary of State should comment on current staffing and how the addition of 3 contractual positions will affect staffing concerns.**

## ***Operating Budget Recommended Actions***

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1. Concur with Governor's allowance.

**Appendix 1**  
**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 2017</b>					
Legislative Appropriation	\$1,950	\$848	\$0	\$0	\$2,798
Deficiency Appropriation	-60	199	0	0	139
Cost Containment	0	0	0	0	0
Budget Amendments	229	0	0	249	479
Reversions and Cancellations	-1	-164	0	-62	-228
<b>Actual Expenditures</b>	<b>\$2,118</b>	<b>\$882</b>	<b>\$0</b>	<b>\$187</b>	<b>\$3,187</b>
<b>Fiscal 2018</b>					
Legislative Appropriation	\$1,964	\$883	\$0	\$442	\$3,289
Cost Containment	0	0	0	0	0
Budget Amendments	0	0	0	0	0
<b>Working Appropriation</b>	<b>\$1,964</b>	<b>\$883</b>	<b>\$0</b>	<b>\$442</b>	<b>\$3,289</b>

Note: The fiscal 2018 appropriation does not include deficiencies, targeted reversions, or across-the-board reductions. Numbers may not sum to total due to rounding.

## **Fiscal 2017**

The fiscal 2017 legislative appropriation for the Secretary of State increased by \$389,000. General fund changes included a \$60,000 decrease for 2017 cost containment; an increase of \$229,000 through budget amendments including \$104,000 to support charity enforcement activities, \$90,000 for the Executive Department costs realignment, and \$35,000 for centrally budgeted salary adjustments; and a \$1,000 reversion. The special fund appropriation increased \$199,000 as a result of a deficiency appropriation for a contractual charities enforcement investigator and a contractual paralegal in the Charity Enforcement and Legal Services Division to follow up with delinquent charities. There was \$164,000 in canceled special funds because the positions were vacant while the recruitment process took place.

The reimbursable fund appropriation increased by \$249,000 through budget amendments including \$207,000 for the Victims of Crime grant and \$42,000 for the Safe At Home program grant funds received from the Governor's Office of Crime Control and Prevention. There was \$62,000 in canceled reimbursable funds because the grant awards were received later than anticipated and the funds will be re-appropriated in fiscal 2018.

## **Fiscal 2018**

To date, the fiscal 2018 legislative appropriation has remained the same.

**Appendix 2**  
**Object/Fund Difference Report**  
**Secretary of State**

<u>Object/Fund</u>	<u>FY 17 Actual</u>	<u>FY 18 Working Appropriation</u>	<u>FY 19 Allowance</u>	<u>FY 18 - FY 19 Amount Change</u>	<u>Percent Change</u>
<b>Positions</b>					
01 Regular	25.00	25.00	25.00	0.00	0%
02 Contractual	10.50	5.50	8.50	3.00	54.5%
<b>Total Positions</b>	<b>35.50</b>	<b>30.50</b>	<b>33.50</b>	<b>3.00</b>	<b>9.8%</b>
<b>Objects</b>					
01 Salaries and Wages	\$ 2,506,946	\$ 2,342,568	\$ 2,507,479	\$ 164,911	7.0%
02 Technical and Spec. Fees	271,726	544,077	482,136	-61,941	-11.4%
03 Communication	105,448	82,711	98,581	15,870	19.2%
04 Travel	53,546	64,222	83,600	19,378	30.2%
07 Motor Vehicles	13,971	29,701	6,040	-23,661	-79.7%
08 Contractual Services	161,765	160,464	157,437	-3,027	-1.9%
09 Supplies and Materials	27,102	33,725	32,200	-1,525	-4.5%
10 Equipment – Replacement	16,888	6,185	5,500	-685	-11.1%
11 Equipment – Additional	11,413	8,000	4,000	-4,000	-50.0%
13 Fixed Charges	18,250	18,005	14,363	-3,642	-20.2%
<b>Total Objects</b>	<b>\$ 3,187,055</b>	<b>\$ 3,289,658</b>	<b>\$ 3,391,336</b>	<b>\$ 101,678</b>	<b>3.1%</b>
<b>Funds</b>					
01 General Fund	\$ 2,117,621	\$ 1,964,368	\$ 2,163,794	\$ 199,426	10.2%
03 Special Fund	882,205	883,359	863,159	-20,200	-2.3%
09 Reimbursable Fund	187,229	441,931	364,383	-77,548	-17.5%
<b>Total Funds</b>	<b>\$ 3,187,055</b>	<b>\$ 3,289,658</b>	<b>\$ 3,391,336</b>	<b>\$ 101,678</b>	<b>3.1%</b>

Note: The fiscal 2018 appropriation does not include deficiencies, targeted reversions, or across-the-board reductions. The fiscal 2019 allowance does not include contingent reductions or cost-of-living adjustments.



**Appendix 3  
Fiscal Summary  
Secretary of State**

<b><u>Program/Unit</u></b>	<b><u>FY 17 Actual</u></b>	<b><u>FY 18 Wrk Approp</u></b>	<b><u>FY 19 Allowance</u></b>	<b><u>Change</u></b>	<b><u>FY 18 - FY 19 % Change</u></b>
01 Office of the Secretary of State	\$ 3,187,055	\$ 3,289,658	\$ 3,391,336	\$ 101,678	3.1%
<b>Total Expenditures</b>	<b>\$ 3,187,055</b>	<b>\$ 3,289,658</b>	<b>\$ 3,391,336</b>	<b>\$ 101,678</b>	<b>3.1%</b>
General Fund	\$ 2,117,621	\$ 1,964,368	\$ 2,163,794	\$ 199,426	10.2%
Special Fund	882,205	883,359	863,159	-20,200	-2.3%
<b>Total Appropriations</b>	<b>\$ 2,999,826</b>	<b>\$ 2,847,727</b>	<b>\$ 3,026,953</b>	<b>\$ 179,226</b>	<b>6.3%</b>
Reimbursable Fund	\$ 187,229	\$ 441,931	\$ 364,383	-\$ 77,548	-17.5%
<b>Total Funds</b>	<b>\$ 3,187,055</b>	<b>\$ 3,289,658</b>	<b>\$ 3,391,336</b>	<b>\$ 101,678</b>	<b>3.1%</b>

Note: The fiscal 2018 appropriation does not include deficiencies, targeted reversions, or across-the-board reductions. The fiscal 2019 allowance does not include contingent reductions or cost-of-living adjustments.

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