

D16A06
Secretary of State

Executive Summary

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 for domestic violence victims in Maryland.

Operating Budget Data

(\$ in Thousands)

	<u>FY 18</u> <u>Actual</u>	<u>FY 19</u> <u>Working</u>	<u>FY 20</u> <u>Allowance</u>	<u>FY 19-20</u> <u>Change</u>	<u>% Change</u> <u>Prior Year</u>
General Fund	\$2,098	\$2,163	\$2,542	\$379	17.5%
Adjustments	0	54	50	-5	
Adjusted General Fund	\$2,098	\$2,217	\$2,591	\$375	16.9%
Special Fund	821	868	907	39	4.5%
Adjustments	0	1	22	20	
Adjusted Special Fund	\$821	\$869	\$928	\$59	6.8%
Reimbursable Fund	345	364	413	49	13.4%
Adjustments	0	0	0	0	
Adjusted Reimbursable Fund	\$345	\$364	\$413	\$49	13.4%
Adjusted Grand Total	\$3,264	\$3,451	\$3,933	\$482	14.0%

Note: The fiscal 2019 appropriation includes deficiencies, a one-time \$500 bonus, and general salary increases. The fiscal 2020 allowance includes general salary increases.

- The adjusted fiscal 2020 allowance increases \$482,000, or 14%, from the adjusted fiscal 2019 working appropriation driven by an increase in the Department of Information Technology shared services allocation for the agency.

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

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Personnel Data

	<u>FY 18 Actual</u>	<u>FY 19 Working</u>	<u>FY 20 Allowance</u>	<u>FY 19-20 Change</u>
Regular Positions	25.00	25.00	25.00	0.00
Contractual FTEs	<u>7.50</u>	<u>8.50</u>	<u>8.50</u>	<u>0.00</u>
Total Personnel	32.50	33.50	33.50	0.00

Vacancy Data: Regular Positions

Turnover and Necessary Vacancies, Excluding New Positions	0.00	0.00%
Positions and Percentage Vacant as of 12/31/18	1.00	4.00%

Key Observations

- As a result of increased charitable enforcement staff, in recent years, there has been an increase in charitable enforcement outcomes and address confidentiality program activities.

Operating Budget 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; administers the statewide workplace giving campaign, the Maryland Charity Campaign; 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, as well as administers the Maryland Charity Campaign.

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:

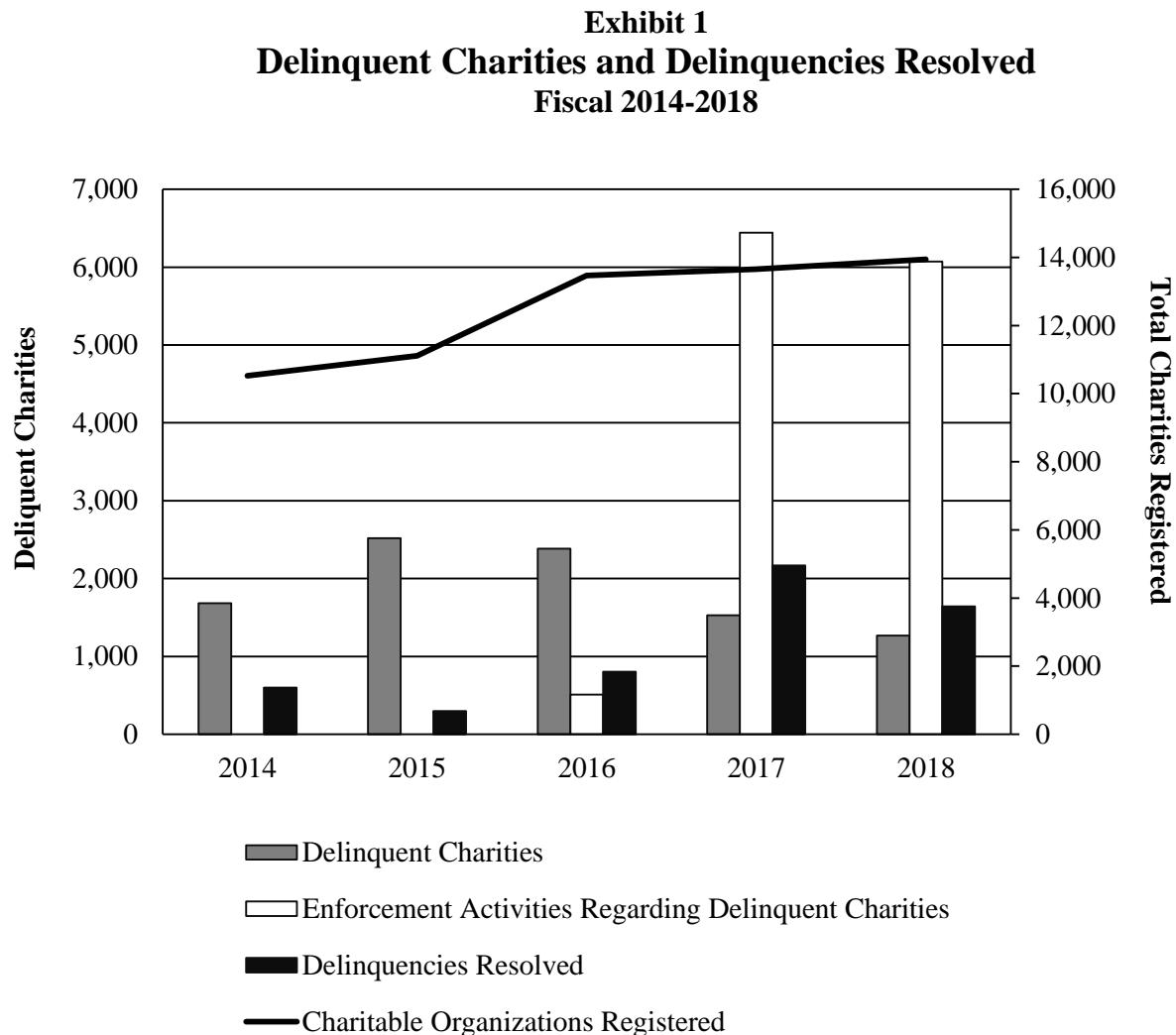
- strengthen and enhance Maryland's role and influence in international affairs;
- obtain updated information from delinquent charitable organizations required to register with the Secretary of State;
- help Maryland residents make informed decisions when contributing to a charitable organization; and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

Performance Analysis: Managing for Results

1. Charitable Enforcement

The Charitable Organizations Division annually registers, regulates, and renews registrations of charitable organizations in the State of Maryland. This includes the review of a charitable organization's financial and governing documents as well as the review of all fund-raising contracts.

The number of charities registered has continued to trend upward. In previous years, due to staffing constraints, the Secretary of State struggled to maintain adequate records regarding charity registrations. Once charities became delinquent, there was not enough staff to follow up with the organizations to send reminders and, if necessary, conduct compliance measures. There has been an increase in staff since fiscal 2016, and as a result, as shown in **Exhibit 1**, there has been an increase in both the number of enforcement measures taken and the number of delinquencies resolved by the Secretary of State.

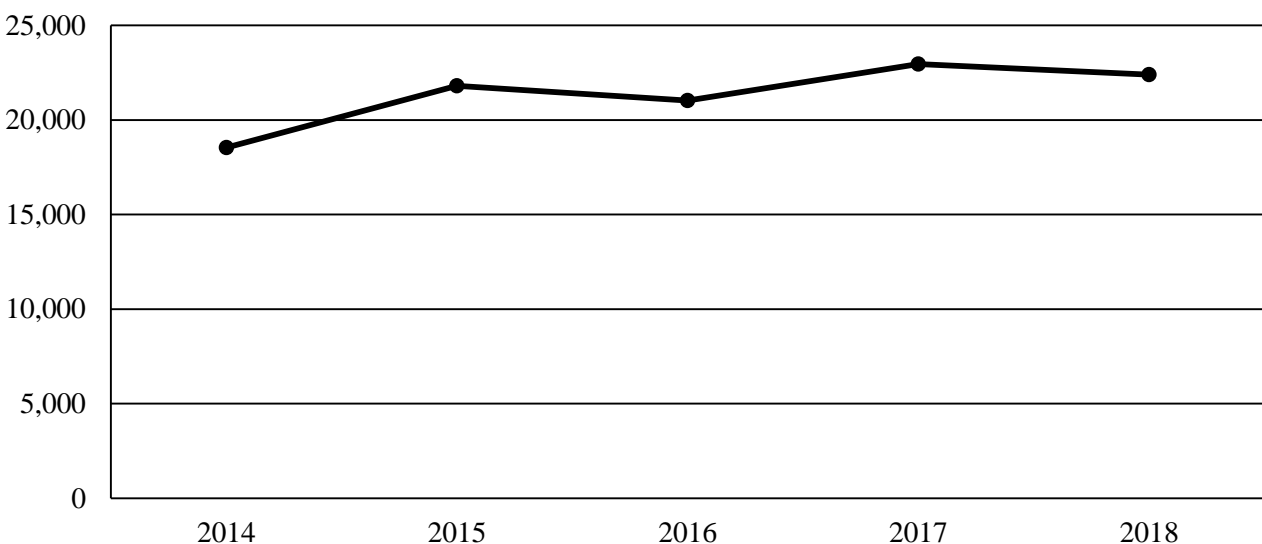


Source: Secretary of State

2. Notary Public Commissions

The Secretary of State is responsible for processing notary public commissions for the State of Maryland. As shown in **Exhibit 2**, there has been some fluctuation in the number of notary public commissions processed by the office. There have been contractual staff in the agency that have been cross trained to support the Notary Division to prevent future backlogs.

Exhibit 2
Notary Public Commissions Processed
Fiscal 2014-2018

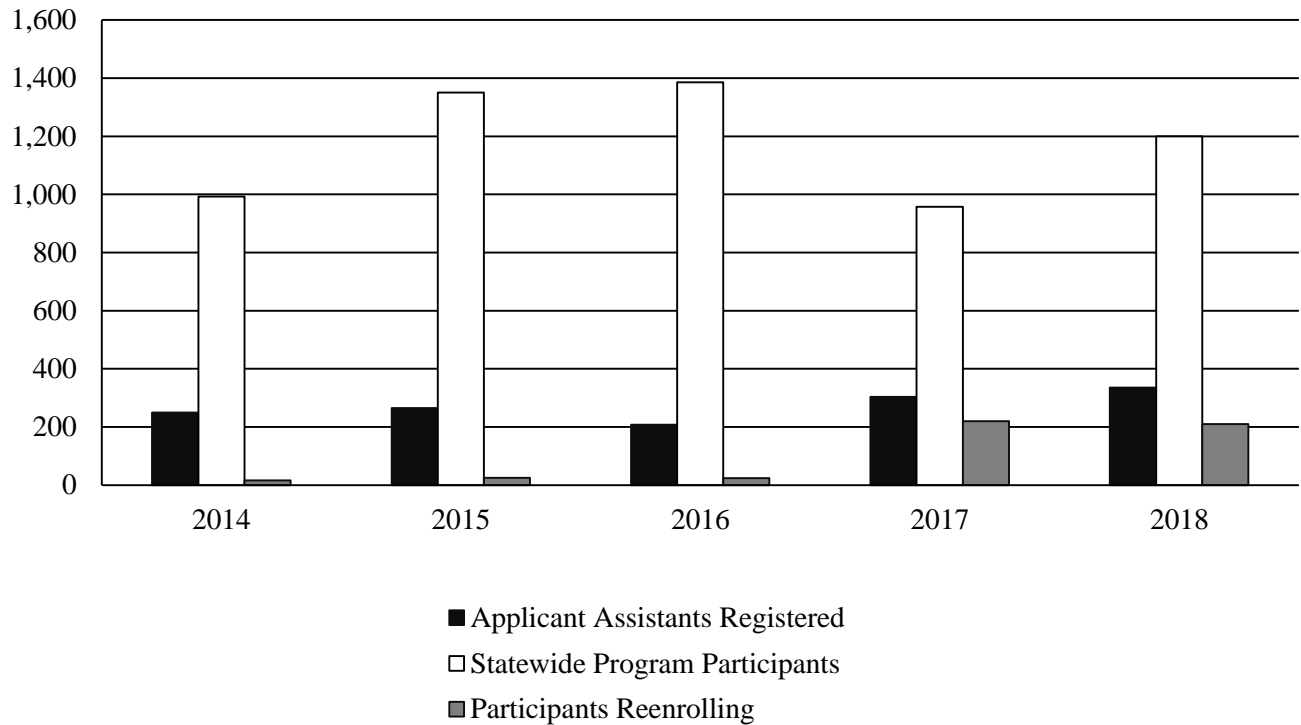


Source: Secretary of State

3. Address Confidentiality Program

The Secretary of State is responsible for the Safe at Home Address Confidentiality Program that was established by Chapters 374 and 375 of 2006 to serve survivors of domestic abuse by rerouting their mail so that their address can remain confidential. **Exhibit 3** outlines the number of program applicants registered and reenrolled as well as the applicant assistants volunteering to support the enrollment process. While the number of participants reenrolling has declined slightly due to either no longer needing the program or moving out of the State, there has been an increase in the number of program participants. There appears to have been some fluctuation in program participation starting in fiscal 2016, but the changes are due to the ability to better update and maintain data regarding participation. This is the result of federal grant funding for more staff to keep updated records.

Exhibit 3
Address Confidentiality Program Participation
Fiscal 2014-2018



Source: Secretary of State

Fiscal 2019 Actions

Proposed Deficiency

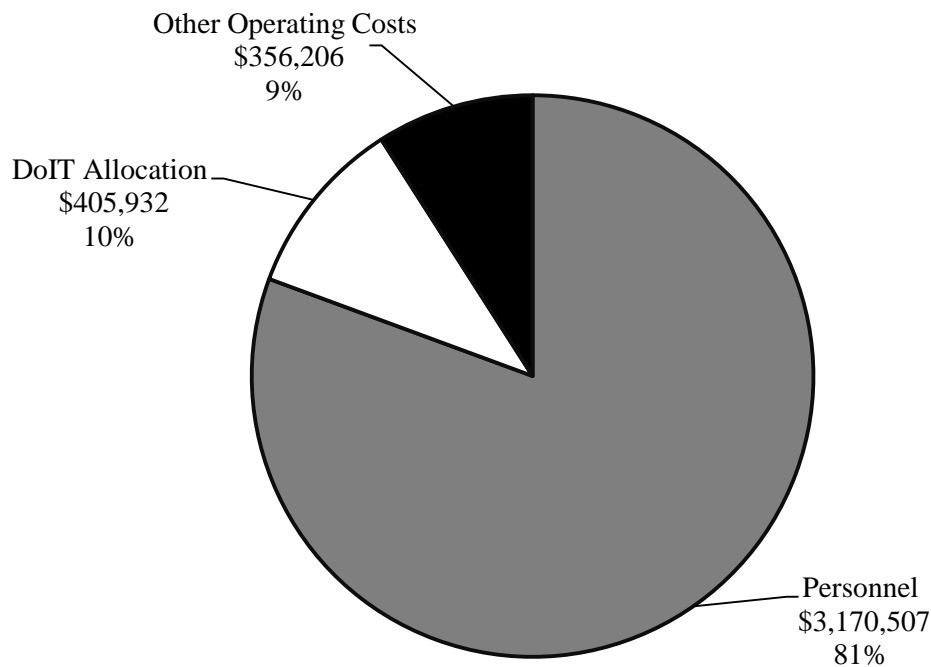
There is a proposed fiscal 2019 deficiency appropriation for the Secretary of State for \$39,377 for salary expenses. The agency will also receive \$16,076 (\$14,728 in general funds and \$1,348 in special funds) in centrally budgeted funding for costs associated with the April 1, 2019 one-time \$500 bonus and 0.5% general salary increase.

Fiscal 2020 Allowance

Overview of Agency Spending

The fiscal 2020 allowance for the Secretary of State is \$3.9 million. As shown in **Exhibit 4**, the budget is largely personnel with a significant percentage of operating costs (10%) for the Department of Information Technology (DoIT) shared services allocation. The DoIT allocation is also the largest budget change for the agency in fiscal 2020.

Exhibit 4
Programmed Expenditures by Purpose
Fiscal 2020
(\$ in Thousands)



DoIT: Department of Information Technology

Source: Secretary of State

Proposed Budget Change

The fiscal 2020 allowance increases \$482,000 from the fiscal 2019 working appropriation (see Exhibit 5).

Exhibit 5 Proposed Budget Secretary of State (\$ in Thousands)

How Much It Grows:	General Fund	Special Fund	Reimb. Fund	Total
Fiscal 2018 Actual	\$2,098	\$821	\$345	\$3,264
Fiscal 2019 Working Appropriation	2,217	869	364	3,451
Fiscal 2020 Allowance	<u>2,591</u>	<u>928</u>	<u>413</u>	<u>3,933</u>
Fiscal 2019-2020 Amount Change	\$375	\$59	\$49	\$482
Fiscal 2019-2020 Percent Change	16.9%	6.8%	13.4%	14.0%
Where It Goes:				
Personnel Expenses				
General salary increase (3% effective July 1, 2019, and annualizing 0.5% increase effective April 1, 2019)				\$69
Health insurance				43
Regular salaries, including the annualization of fiscal 2019 cost-of-living adjustment				34
Retirement contributions				24
Other fringe benefit adjustments				3
Fiscal 2019 \$500 bonus effective April 1, 2019				-13
Fiscal 2019 deficiency appropriation for salaries				-39
Other Changes				
Department of Information Technology shared services allocation				390
Reduction in travel costs because the Secretary of State does not have any major international trips planned				-20
Reduced costs associated with notary renewal reminders due to the increased use of electronic reminders				-20
Other				11
Total				\$482

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

Operating Budget 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 2018					
Legislative Appropriation	\$1,964	\$883	\$0	\$442	\$3,290
Deficiency/Withdrawn Appropriation	168	-3	0	0	165
Cost Containment	0	0	0	0	0
Budget Amendments	0	0	0	0	0
Reversions and Cancellations	-35	-59	0	-97	-191
Actual					
Expenditures	\$2,098	\$821	\$0	\$345	\$3,264
Fiscal 2019					
Legislative Appropriation	\$2,148	\$861	\$0	\$364	\$3,374
Budget Amendments	14	7	0	0	21
Working					
Appropriation	\$2,163	\$868	\$0	\$364	\$3,395

Note: The fiscal 2019 appropriation does not include deficiencies, a one-time \$500 bonus, or general salary increases. Numbers may not sum to total due to rounding.

Fiscal 2018

The fiscal 2018 legislative appropriation for the Secretary of State decreased by \$26,000. General funds increased \$134,000, including a \$197,000 deficiency appropriation to support charity enforcement activities and a decrease of \$28,521 for a withdrawn appropriation in Section 19 of the fiscal 2019 Budget Bill due to a surplus in the health insurance account. There were \$35,000 in reverted general funds as a result of administrative cost savings.

The special fund appropriation decreased \$3,000 for Section 19 of the fiscal 2019 Budget Bill withdrawn appropriation with a further \$59,000 canceled due to lower than anticipated revenues.

The reimbursable fund appropriation declined by \$97,000 through cancellations associated with the Victims of Crime grant.

Fiscal 2019

To date, the fiscal 2019 legislative appropriation increases \$14,434 in general funds and \$6,641 in special funds for a general salary increase effective January 1, 2019, that was centrally budgeted.

Appendix 2
Audit Findings

Audit Period for Last Audit:	June 4, 2014 – December 4, 2017
Issue Date:	June 2018
Number of Findings:	2
Number of Repeat Findings:	0
% of Repeat Findings:	0%
Rating: (if applicable)	n/a

Finding 1: Procedures and controls were not sufficient to ensure that the Office of the Secretary of State accurately recorded critical data reported by charitable organizations and that these organizations remitted the proper fees.

Finding 2: Adequate controls were not established over cash receipts.

*Bold denotes item repeated in full or part from preceding audit report.

Appendix 3
Object/Fund Difference Report
Secretary of State

<u>Object/Fund</u>	<u>FY 18 Actual</u>	<u>FY 19 Working Appropriation</u>	<u>FY 20 Allowance</u>	<u>FY 19 - FY 20 Amount Change</u>	<u>Percent Change</u>
Positions					
01 Regular	25.00	25.00	25.00	0.00	0%
02 Contractual	7.50	8.50	8.50	0.00	0%
Total Positions	32.50	33.50	33.50	0.00	0%
Objects					
01 Salaries and Wages	\$ 2,491,457	\$ 2,512,577	\$ 2,617,371	\$ 104,794	4.2%
02 Technical and Special Fees	380,196	482,136	482,136	0	0%
03 Communication	103,612	98,581	78,232	-20,349	-20.6%
04 Travel	39,516	83,600	63,360	-20,240	-24.2%
07 Motor Vehicles	29,892	6,040	6,040	0	0%
08 Contractual Services	136,225	156,172	560,127	403,955	258.7%
09 Supplies and Materials	34,819	32,200	29,050	-3,150	-9.8%
10 Equipment – Replacement	8,593	5,500	5,500	0	0%
11 Equipment – Additional	12,474	4,000	5,500	1,500	37.5%
13 Fixed Charges	27,058	14,363	14,383	20	0.1%
Total Objects	\$ 3,263,842	\$ 3,395,169	\$ 3,861,699	\$ 466,530	13.7%
Funds					
01 General Fund	\$ 2,097,908	\$ 2,162,679	\$ 2,541,743	\$ 379,064	17.5%
03 Special Fund	820,858	868,107	906,743	38,636	4.5%
09 Reimbursable Fund	345,076	364,383	413,213	48,830	13.4%
Total Funds	\$ 3,263,842	\$ 3,395,169	\$ 3,861,699	\$ 466,530	13.7%

Note: The fiscal 2019 appropriation does not include deficiencies, a one-time \$500 bonus, or general salary increases. The fiscal 2020 allowance does not include general salary increases.

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**Appendix 4
Fiscal Summary
Secretary of State**

<u>Program/Unit</u>	<u>FY 18 Actual</u>	<u>FY 19 Wrk Approp</u>	<u>FY 20 Allowance</u>	<u>Change</u>	<u>FY 19 - FY 20 % Change</u>
01 Office of the Secretary of State	\$ 3,263,842	\$ 3,395,169	\$ 3,861,699	\$ 466,530	13.7%
Total Expenditures	\$ 3,263,842	\$ 3,395,169	\$ 3,861,699	\$ 466,530	13.7%
General Fund	\$ 2,097,908	\$ 2,162,679	\$ 2,541,743	\$ 379,064	17.5%
Special Fund	820,858	868,107	906,743	38,636	4.5%
Total Appropriations	\$ 2,918,766	\$ 3,030,786	\$ 3,448,486	\$ 417,700	13.8%
Reimbursable Fund	\$ 345,076	\$ 364,383	\$ 413,213	\$ 48,830	13.4%
Total Funds	\$ 3,263,842	\$ 3,395,169	\$ 3,861,699	\$ 466,530	13.7%

Note: The fiscal 2019 appropriation does not include deficiencies, a one-time \$500 bonus, or general salary increases. The fiscal 2020 allowance does not include general salary increases.

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