

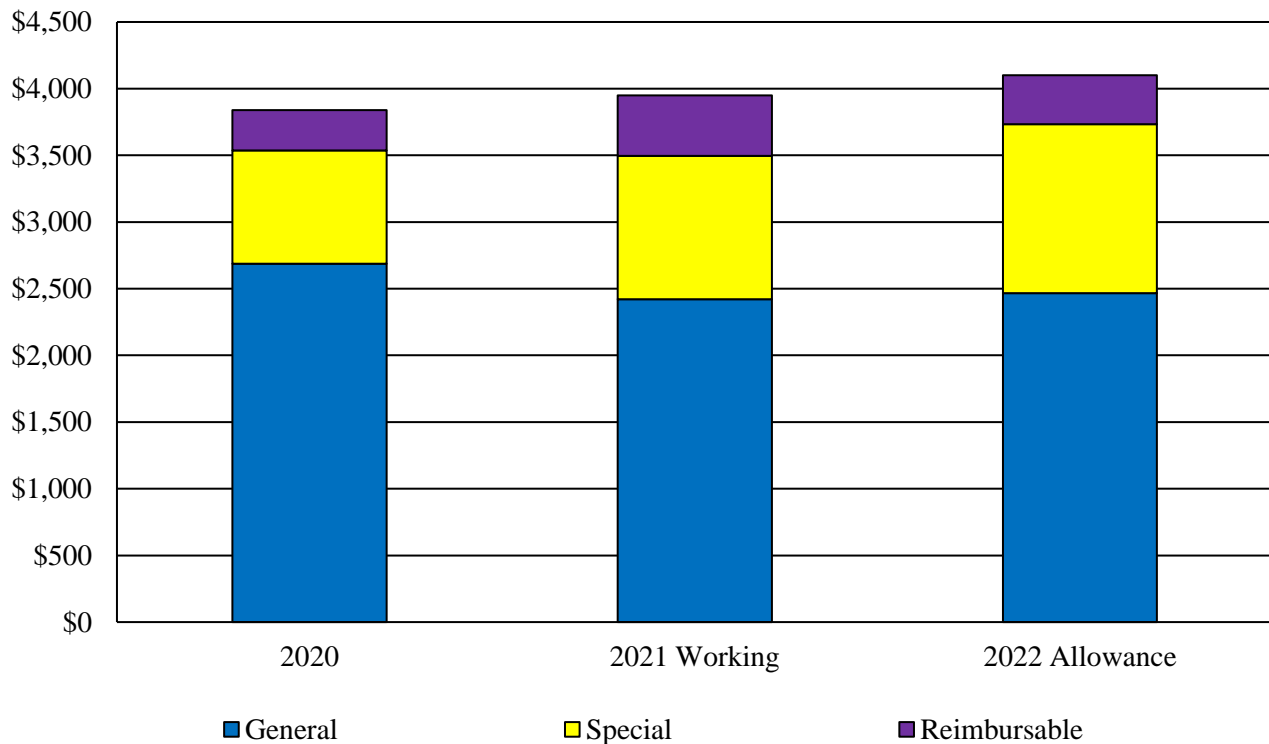
D16A06 Secretary of State

Program Description

The Secretary of State is responsible for a variety of executive functions including attesting to the Governor's signature on public documents, such as executive orders, extraditions, and pardons, and certifying candidates for nomination to appear on the presidential primary ballot. Other duties of the Office of the Secretary of State include administering the State's notary public laws and processing notary commissions, regulating charitable organizations, administering the Address Confidentiality Program (ACP), and publishing administrative regulations in the Maryland Register and the Code of Maryland Regulations.

Operating Budget Summary

Fiscal 2022 Budget Increases \$151,000, or 3.8%, to \$4.1 Million (\$ in Thousands)



Note: The fiscal 2021 appropriation includes general salary increases. The fiscal 2022 allowance includes annualization of general salary increases.

Fiscal 2021

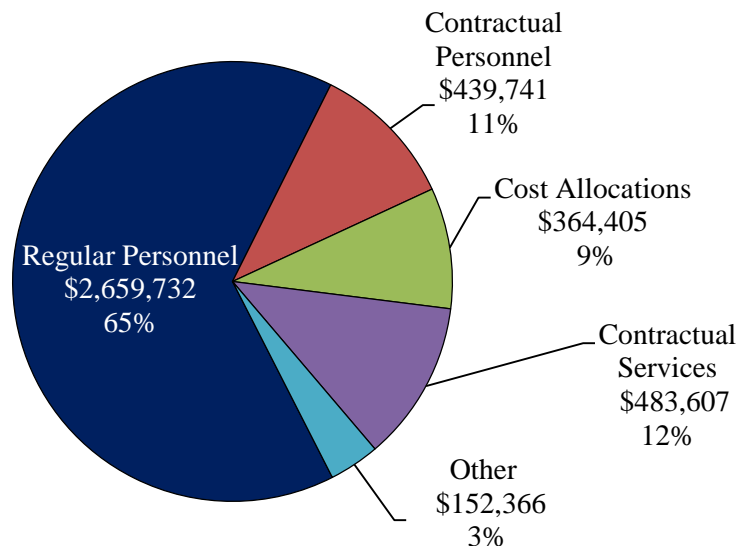
Cost Containment

At its July 1, 2020 meeting, the Board of Public Works (BPW) approved reductions of \$724,079 in general funds and \$1,922 in special funds. These reductions reflect the elimination of the office's International Division and its 2 positions and the deferment of the office's notary database replacement project to fiscal 2022.

Fiscal 2022 Overview of Agency Spending

The total adjusted fiscal 2022 allowance for the Secretary of State is \$4.1 million. As shown in **Exhibit 1**, the majority of the budget covers personnel costs. Regular and contractual personnel expenses combined total \$3.1 million, or 76%, of the budget. Operating expenses for the agency are made up mostly of contractual services. Cost allocations, the largest of which is the Department of Information Technology shared services allocation, make up \$364,405, or 9%, of the budget. Other contracts total \$483,607, or 12%, of the budget, of which \$360,000 are contracts for the notary database replacement project.

Exhibit 1
Overview of Agency Spending
Fiscal 2022 Allowance



Note: The fiscal 2022 allowance includes annualization of general salary increases.

Source: Governor's Proposed Fiscal 2022 Budget

Proposed Budget Change

As shown in **Exhibit 2**, the adjusted fiscal 2022 allowance grows by a total of \$151,000, or 3.8%, from the adjusted fiscal 2021 working appropriation. This change is primarily made up of an increase in \$360,000 for contracts related to the agency's notary database replacement project. The largest decrease in the budget is a decrease of \$238,000 for contractual personnel expenses due to the elimination of 4 contractual positions.

Exhibit 2 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 2020 Actual	\$2,688	\$849	\$301	\$3,837
Fiscal 2021 Working Appropriation	2,420	1,075	454	3,949
Fiscal 2022 Allowance	<u>2,466</u>	<u>1,267</u>	<u>367</u>	<u>4,100</u>
Fiscal 2021-2022 Amount Change	\$46	\$192	-\$87	\$151
Fiscal 2021-2022 Percent Change	1.9%	17.9%	-19.1%	3.8%

Where It Goes:	<u>Change</u>
Personnel Expenses	
Regular earnings.....	\$21
Annualization of fiscal 2021 general salary increase	18
Employee and retiree health insurance	12
Other fringe benefit adjustments	6
Reclassification	-11
Other Changes	
Contractual services – contracts for notary database replacement	\$360
Department of Information Technology services allocation	28
Travel.....	-29
Other.....	-16
Contractual personnel expenses	-238
Total	\$151

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

Notary Database Replacement

Chapter 407 of 2020 modified existing law related to notaries public in Maryland, including provisions expanding current notarization practices to include remote and electronic notarization practices in specific instances. In these cases, a notary public located in Maryland would use communication technology to perform a notarial act for a remotely located individual. Chapter 407 also included a provision requiring implementation of new education and testing requirements for notaries, including the implementation of a course of study and an examination for applicants. Due to the state of the office's legacy information technology systems, replacement of the notary database is required in order to fully implement the provisions of Chapter 407. Replacement was originally budgeted for fiscal 2021 but was deferred one year to fiscal 2022 due to cost containment reductions taken by BPW.

The provisions of Chapter 407 allowing for remote and electronic notarization formally went into effect on October 1, 2020, although an executive order by the Governor temporarily allowed such notarization to be performed beginning in March 2020 due to the COVID-19 pandemic. The office reports that 1,086 remote notary public notification forms were processed through the end of fiscal 2020. The implementation of the new education and testing requirements for notaries, however, was delayed by one year by Chapter 571 of 2020, to October 1, 2021, due to the need for additional time to implement these requirements.

Personnel Data

	<u>FY 20</u> <u>Actual</u>	<u>FY 21</u> <u>Working</u>	<u>FY 22</u> <u>Allowance</u>	<u>FY 21-22</u> <u>Change</u>
Regular Positions	26.00	24.00	24.00	0.00
Contractual FTEs	<u>16.50</u>	<u>12.00</u>	<u>8.00</u>	<u>-4.00</u>
Total Personnel	42.50	36.00	32.00	-4.00

Vacancy Data: Regular Positions

Turnover and Necessary Vacancies, Excluding New Positions	0.33	1.39%
Positions and Percentage Vacant as of 12/31/20	0.0	0.0%
Vacancies Above (Below) Turnover	n/a	n/a

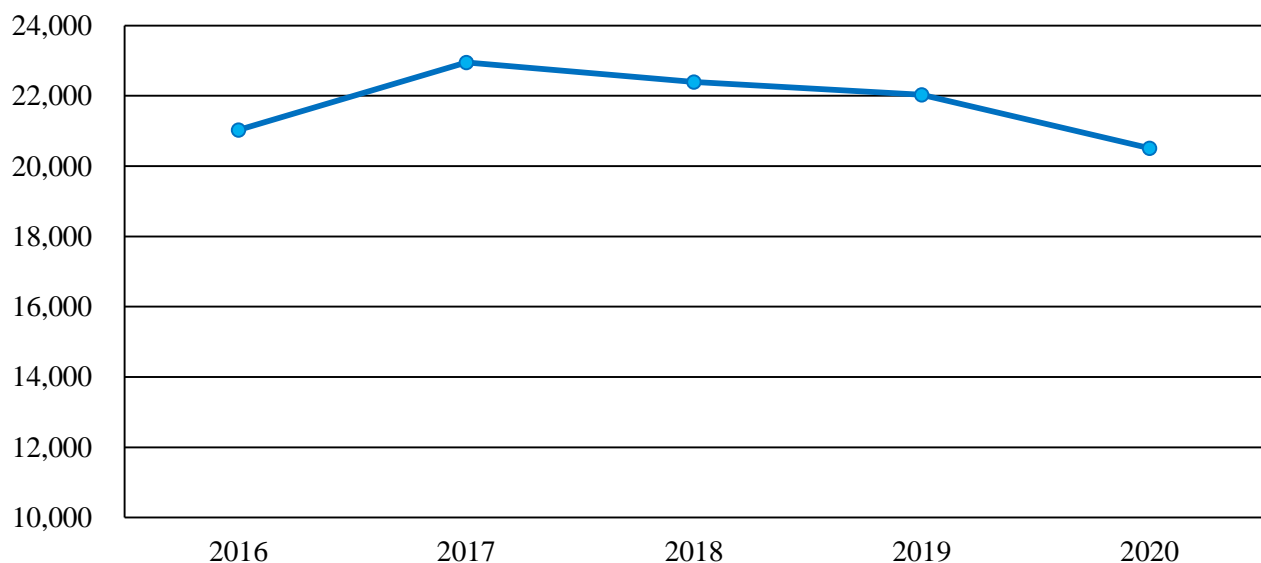
- Two positions were abolished during fiscal 2021 by the BPW reductions eliminating the office's International Division. Individuals serving in these 2 positions were transferred to open positions at the Department of Commerce.
- The fiscal 2022 allowance includes the elimination of 4 contractual positions, which include 2 notary officer positions and 2 positions in ACP.

Key Observations

1. Notary Public Commissions

The Secretary of State’s Charities and Legal Services Division is responsible for processing applications, regulating, and renewing commissions for notaries public in Maryland. As shown in **Exhibit 3**, the number of notary public commissions processed each year has fluctuated but generally has ranged between 20,000 and 23,000. In fiscal 2020, the division processed 20,510 notary public commissions. Notary commissions are valid for a period of four years from the date the commission is issued. There are approximately 80,000 notaries in total currently serving statewide.

Exhibit 3
Notary Public Commissions
Fiscal 2016-2020



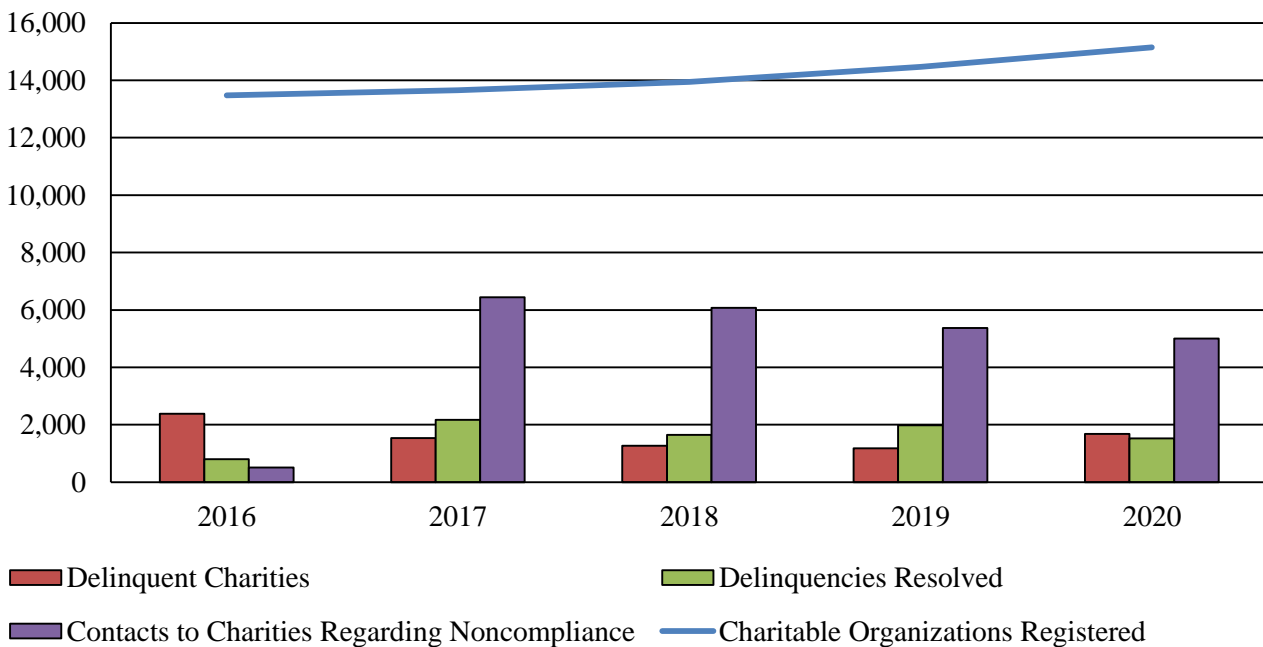
Source: Office of the Secretary of State

The number of notary public commissions processed decreased during fiscal 2020 due to the COVID-19 pandemic. According to the Governor’s executive order extending the expiration of certain state licenses and registrations, all notary public commissions expiring during the Governor’s declared state of emergency and catastrophic health emergency are automatically extended to 30 days following the termination of the state of emergency.

2. Charitable Organizations

The Charities and Legal Services Division is also responsible for annually registering, regulating, and renewing registrations of charitable organizations in Maryland. This includes the review of each organization’s financial and governing documents as well as the review of all fundraising contracts. The number of charities registered has continued to trend upward since fiscal 2016, reaching 15,150 organizations in fiscal 2020. During the same time period, the number of delinquent charities has decreased each fiscal year, to 1,676 in fiscal 2020. **Exhibit 4** shows these trends as well as the number of contacts made by letter to charities regarding delinquency status, which totaled 5,000 in fiscal 2020, and the total number of delinquencies resolved, which totaled 1,520 in fiscal 2020. Additionally, there were 10 active complaints against charities for violations of the law during the fiscal year.

Exhibit 4
Charitable Organizations Registered and Delinquencies
Fiscal 2016-2020



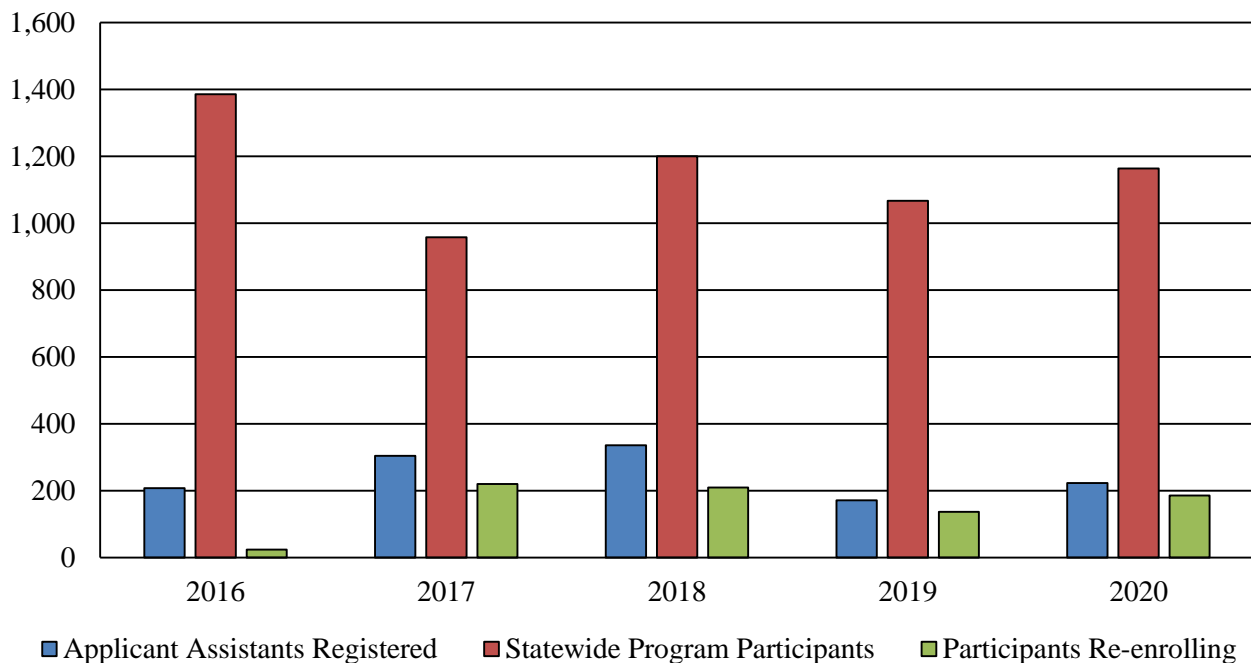
Source: Office of the Secretary of State

As with notary public commissions, registrations for charitable organizations were similarly impacted by the Governor’s executive order on licenses and registrations, and any registrations expiring during the Governor’s declared state of emergency and catastrophic health emergency will be automatically extended to 30 days following the termination of the state of emergency.

3. Address Confidentiality Program

The Office of the Secretary of State is responsible for operating the Maryland 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 address can remain confidential. **Exhibit 5** shows the number of program participants, the number of participants reenrolling, and the number of application assistants registered (individuals trained to assist potential participants in enrolling). The number of program participants statewide increased in fiscal 2020 to 1,164 individuals. The number of participants reenrolling also increased to 186. Both of these measurements tend to fluctuate from year to year. The number of applicant assistants registered was 223 in fiscal 2020.

Exhibit 5
Address Confidentiality Program Participation
Fiscal 2016-2020



Source: Office of the Secretary of State

Operating Budget Recommended Actions

1. Concur with Governor's allowance.

**Appendix 1
Object/Fund Difference Report
Secretary of State**

<u>Object/Fund</u>	<u>FY 20 Actual</u>	<u>FY 21 Working Appropriation</u>	<u>FY 22 Allowance</u>	<u>FY 21 - FY 22 Amount Change</u>	<u>Percent Change</u>
Positions					
01 Regular	26.00	24.00	24.00	0.00	0%
02 Contractual	16.50	12.00	8.00	-4.00	-33.3%
Total Positions	42.50	36.00	32.00	-4.00	-11.1%
Objects					
01 Salaries and Wages	\$ 2,765,728	\$ 2,591,740	\$ 2,619,938	\$ 28,198	1.1%
02 Technical and Special Fees	364,923	678,223	439,741	-238,482	-35.2%
03 Communication	44,624	66,210	58,505	-7,705	-11.6%
04 Travel	38,205	52,150	23,300	-28,850	-55.3%
07 Motor Vehicles	2,504	10,240	5,940	-4,300	-42.0%
08 Contractual Services	555,916	457,781	848,012	390,231	85.2%
09 Supplies and Materials	38,558	36,005	42,817	6,812	18.9%
10 Equipment – Replacement	650	6,445	1,152	-5,293	-82.1%
11 Equipment – Additional	0	6,086	3,586	-2,500	-41.1%
13 Fixed Charges	26,382	21,616	17,066	-4,550	-21.0%
Total Objects	\$ 3,837,490	\$ 3,926,496	\$ 4,060,057	\$ 133,561	3.4%
Funds					
01 General Fund	\$ 2,687,578	\$ 2,404,870	\$ 2,443,588	\$ 38,718	1.6%
03 Special Fund	849,189	1,068,106	1,250,822	182,716	17.1%
09 Reimbursable Fund	300,723	453,520	365,647	-87,873	-19.4%
Total Funds	\$ 3,837,490	\$ 3,926,496	\$ 4,060,057	\$ 133,561	3.4%

Note: The fiscal 2021 appropriation does not include general salary increases. The fiscal 2022 allowance does not annualization of general salary increases.