

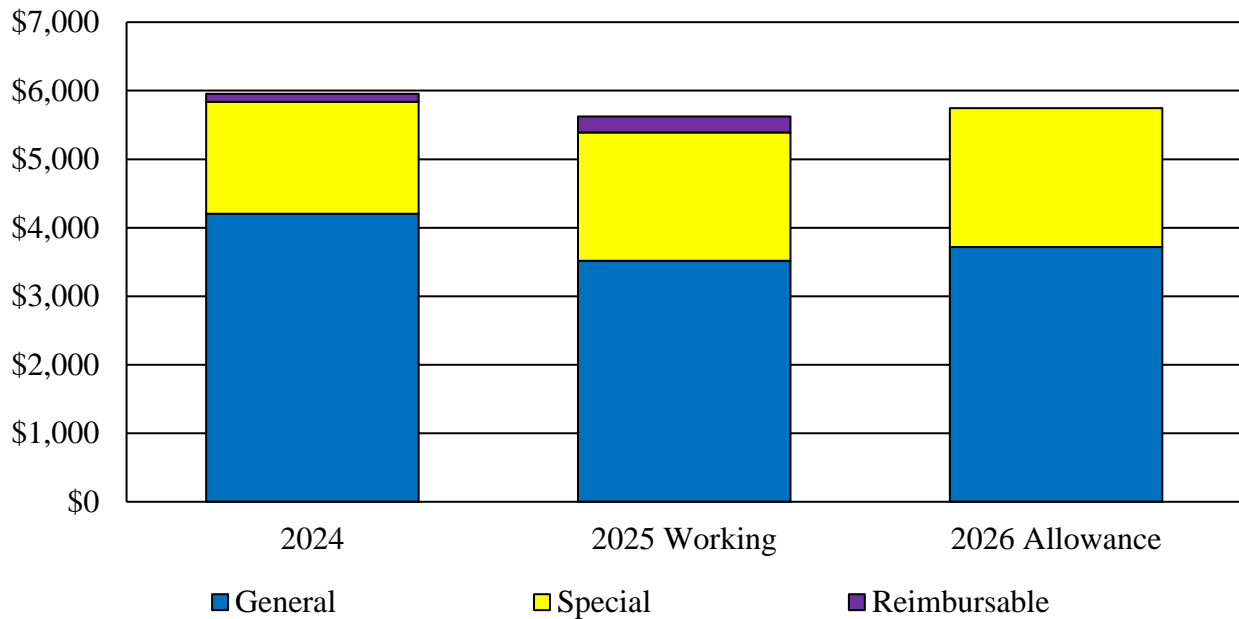
D16A06
Secretary of State

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 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 (COMAR). The Secretary of State chairs the Governor’s Subcabinet for International Affairs, engages with international stakeholders and the diplomatic community, and manages the Maryland Sister States Program through the International Affairs Division.

Operating Budget Summary

Fiscal 2026 Budget Increases \$123,690, or 2.2%, to \$5.7 Million
(\$ in Thousands)



Note: The fiscal 2025 working appropriation accounts for deficiencies. The fiscal 2026 allowance accounts for contingent reductions. The fiscal 2025 impacts of statewide salary adjustments are centrally budgeted in the Department of Budget and Management (DBM), and adjustments are not reflected in this agency’s budget. The fiscal 2026 impacts of the fiscal 2025 statewide salary adjustments appear in this agency’s budget. The fiscal 2026 statewide salary adjustments are centrally budgeted in DBM and are not included in this agency’s budget.

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Fiscal 2024

Chapter 101 of 2023 provided \$982,000 in general funds for a grant to Sister States of Maryland, Inc. (SSI) for the Exploring Cultural Linkages Between Black Marylanders and Civil Rights Movements Abroad project. According to the Secretary of State, this grant was intended to match a \$1.0 million federal grant that SSI received and implemented. As of January 10, 2025, the Secretary of State has distributed \$209,849 of the grant. SSI has used most of that amount to pay for expenses related to educational, cultural displays, events, and presentations in support of the project at various locations around Maryland and Washington, DC. The remaining balance of \$772,150 is expected to be used by SSI on fiscal 2025 programs and projects. Any unspent funds remaining at the end of the fiscal year will be reverted to the General Fund.

Fiscal 2025

Implementation of Legislative Priorities

Section 21 of Chapter 716 of 2024 added \$10,000 in general funds to the Secretary of State to allocate a grant to the Build Haiti Foundation for art exhibitions or student exchange programs. However, the Build Haiti Foundation did not have the administrative means to receive the grant; therefore, the Secretary of State expects to revert the grant to the State at the close of the fiscal year.

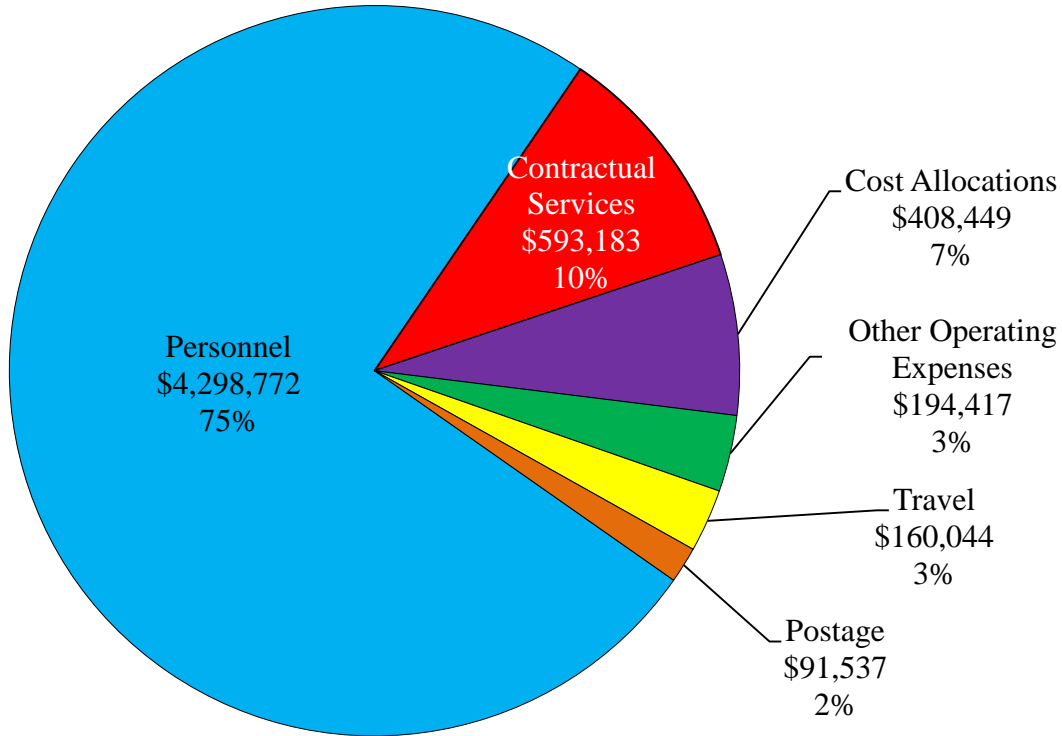
Proposed Deficiency

The International Affairs Division was transferred to the Secretary of State in February 2023 from the Department of Commerce. The fiscal 2026 budget includes a proposed deficiency for fiscal 2025 of \$98,396 in general funds for travel and position reclassification in the International Affairs Division.

Fiscal 2026 Overview of Agency Spending

The fiscal 2026 allowance for the Secretary of State totals \$5.7 million. As shown in **Exhibit 1**, the majority of the fiscal 2026 allowance (\$4.3 million, or 75%) supports personnel costs, for 29 regular positions and 6 contractual full-time equivalents (FTE). Application software maintenance contracts comprise \$250,000 of the contractual services.

Exhibit 1
Overview of Agency Spending
Fiscal 2026 Allowance



Note: The fiscal 2026 statewide salary adjustments are centrally budgeted in the Department of Budget and Management and are not included in this agency’s budget.

Source: Governor’s Fiscal 2025 Budget Books

Proposed Budget Change

As shown in **Exhibit 2**, the Secretary of State’s fiscal 2026 allowance increases by a net of \$123,690 compared to the fiscal 2025 appropriation after accounting for a deficiency appropriation. The largest spending increase, \$217,129 for salaries, occurs mainly due to fiscal 2025 cost-of-living adjustments and increments not yet accounted for in the agency’s budget. The largest decrease, \$232,497, is due to a grant award from the Governor’s Office of Crime Prevention and Policy to the Secretary of State for the ACP in fiscal 2025. These funds appear as reimbursable funds in fiscal 2025, and the fiscal 2026 allowance does not anticipate a continuation of the funds. Contractual employee payroll spending decreases due to a reduction in contractual FTEs in fiscal 2026 compared to fiscal 2025, including 1 community outreach coordinator and 2 notary officer 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 2024 Actual	\$4,204	\$1,636	\$112	\$5,953
Fiscal 2025 Working Appropriation	3,516	1,874	232	5,623
Fiscal 2026 Allowance	<u>3,720</u>	<u>2,026</u>	<u>0</u>	<u>5,746</u>
Fiscal 2025-2026 Amount Change	\$204	\$152	-\$232	\$124
Fiscal 2025-2026 Percent Change	5.8%	8.1%	-100.0%	2.2%

Where It Goes:	<u>Change</u>
Personnel Expenses	
Salary increases and associated fringe benefits including fiscal 2025 cost-of-living adjustment and increments.....	\$217
Turnover decreases from 4.47% to 0%.....	144
Accrued leave payout	25
Reclassification, net of a fiscal 2025 deficiency appropriation	-18
Employee and retiree health insurance	-94
Other Changes	
Software maintenance contracts for ELF 3.0	185
Cost allocations.....	66
Outside consulting services	40
Association dues and subscriptions	16
Supplies and equipment.....	11
Honorariums: payment given for professional services that are normally done without charge.....	-9
One-time legislative addition for the Build Haiti Foundation grant for student exchange programs and exhibitions.....	-10
Printing and advertisement	-12
Travel	-27
Contractual employee payroll due to a net decrease of full-time equivalents	-66
Operations and maintenance for administrative division systems upgrades	-110
Address Confidentiality Program fiscal 2025 grant not available in fiscal 2026	-232

Where It Goes:	<u>Change</u>
Other changes	-2
Total	\$124

ELF: Electronic Filing System

Note: The fiscal 2025 working appropriation accounts for deficiencies. The fiscal 2026 allowance accounts for contingent reductions. The fiscal 2025 impacts of statewide salary adjustments are centrally budgeted in the Department of Budget and Management (DBM), and adjustments are not reflected in this agency’s budget. The fiscal 2026 impacts of the fiscal 2025 statewide salary adjustments appear in this agency’s budget. The fiscal 2026 statewide salary adjustments are centrally budgeted in DBM and are not included in this agency’s budget.

Personnel Data

	<u>FY 24</u>	<u>FY 25</u>	<u>FY 26</u>	<u>FY 25-26</u>
	<u>Actual</u>	<u>Working</u>	<u>Allowance</u>	<u>Change</u>
Regular Positions	29.00	29.00	29.00	0.00
Contractual FTEs	<u>10.24</u>	<u>9.50</u>	<u>6.00</u>	<u>-3.50</u>
Total Personnel	48.74	38.50	35.00	-3.50

Vacancy Data: Regular Positions

Turnover and Necessary Vacancies, Excluding New Positions	0.00	0.00%
Positions and Percentage Vacant as of 11/30/24	n/a	n/a
Vacancies Above/Below Turnover	0	n/a

- As of November 30, 2024, the Secretary of State has 0 vacant positions.
- The fiscal 2026 allowance eliminates 3 contractual FTE positions, including 1 community outreach coordinator and 2 notary officers.

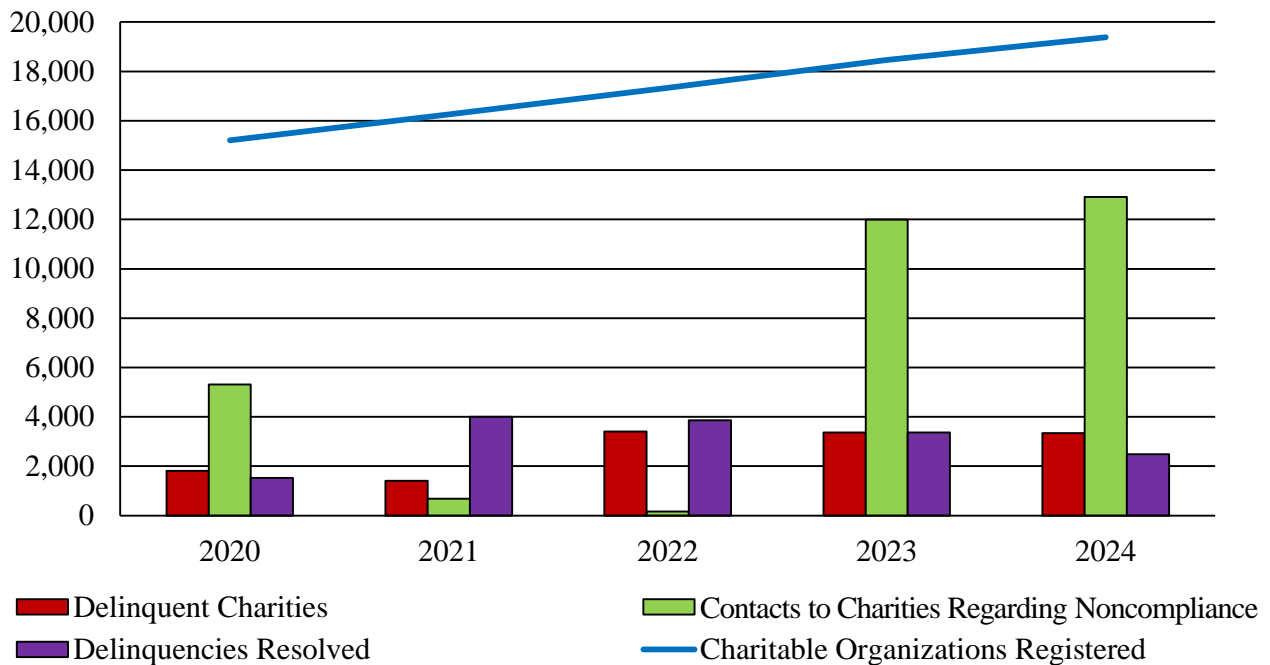
Key Observations

1. Charitable Organizations

The Secretary of State’s Charitable Enforcement Division is responsible for annually registering, regulating, and renewing annual registrations of charitable organizations in Maryland. This includes the review of a charitable organization’s financial and governing documents as well as the review of all fundraising contracts. The Secretary of State launched the modernization of the Charity Database in August 2022, which streamlined the process. The Charity Database offers more efficient online filing of registrations, processing of fees and payments, and live status updates.

As shown in **Exhibit 3**, in fiscal 2024, the number of registered charities increased by 5% to 19,377 compared to fiscal 2023, continuing the recent upward trend. Since fiscal 2020, the number of registered charities has increased by 27%. Delinquent charities are organizations that fail to meet filing requirements or pay fees by the deadline. The number of delinquent charities decreased slightly (0.7%) to 3,344 in fiscal 2024 compared to fiscal 2023. Overall, the number of delinquent charities has decreased by 2% since fiscal 2022, which is the most recent peak.

Exhibit 3
Charitable Organizations Registered and Delinquencies
Fiscal 2020-2024



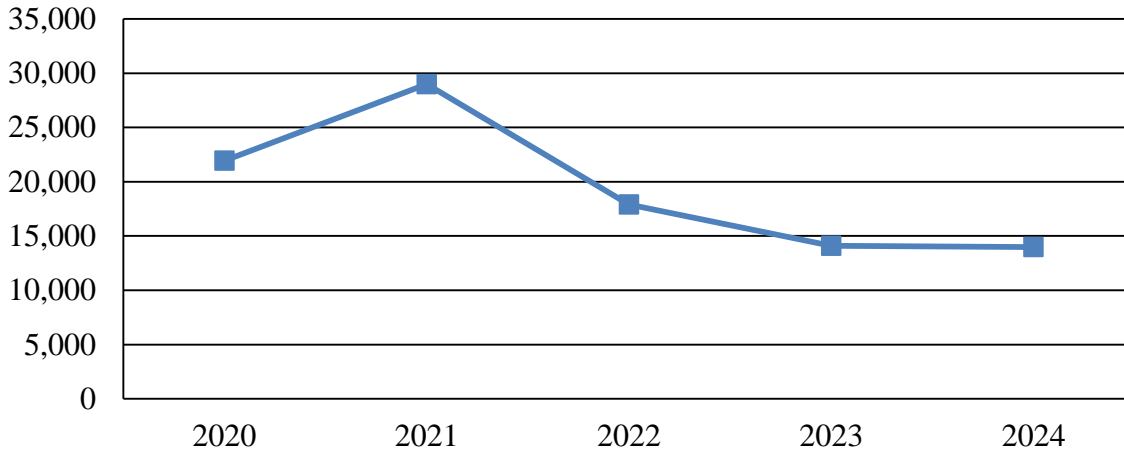
Source: Department of Budget and Management

The Office of the Secretary of State contacts delinquent charitable organizations to discuss their unfulfilled requirements and to provide options to get the charity in good standing with the State. The number of contacts to these organizations increased by 8% to 12,912 in fiscal 2024 compared to fiscal 2023. Numbers during the fiscal 2021 and 2022 period were depressed, likely due to impacts of the COVID-19 pandemic, but the recent figures exceed the levels of the pre-COVID-impacted years, which were more consistent with the fiscal 2020 level. Delinquencies resolved are the number of charities that have resolved their unfulfilled requirements to be in good standing with the State. Even though the enforcement activities have increased, the number of delinquencies resolved decreased by 26% in fiscal 2024 compared to fiscal 2023, which continues the downward trend since fiscal 2021, during which time the number of contacts was much lower. **The Secretary of State should comment on the reason for the downward trend of delinquencies resolved despite increased contacts.**

2. Notary Public Commissions

The Charities and Legal Services Division is responsible for processing applications and regulating and renewing commissions for notaries public in Maryland. Notary commissions are valid for a period of four years from the date that the commission is issued. The Secretary of State launched a modernization of the notary database in June 2023. The notary database provides integration with clerks of court, live status updates, and more efficient processing times and transmission of commissions to clerks. As shown in **Exhibit 4**, 13,968 notary public commissions were processed in fiscal 2024, a slight decrease (0.8%) from fiscal 2023. This decline is not as large as declines in prior years. The number of notary public commissions processed in fiscal 2024 is 52% lower than the recent peak in fiscal 2021.

Exhibit 4
Notary Public Commissions Processed
Fiscal 2020-2024



Source: Department of Budget and Management

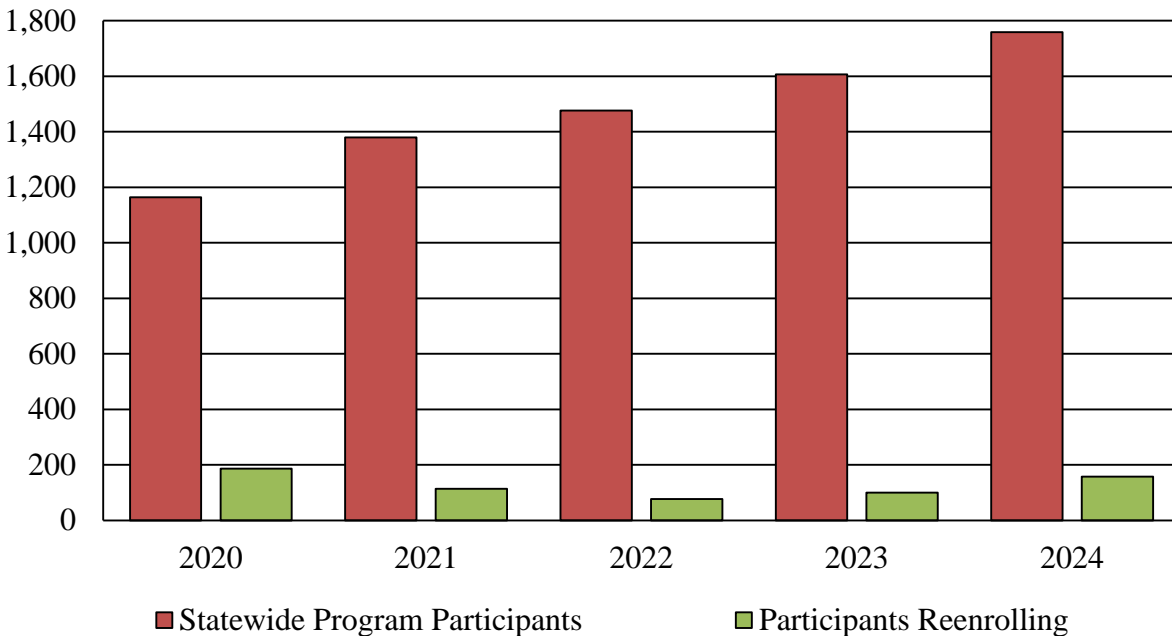
3. Address Confidentiality Program

Chapters 374 and 375 of 2006 established the Maryland Safe at Home ACP to serve survivors of domestic abuse by rerouting their mail so that their addresses can remain confidential. Chapters 423 and 424 of 2018 enabled under certain circumstances ACP participants to also request the shielding of real property records. ACP eligibility was expanded by Chapter 124 of 2021 to include survivors of threatened, attempted, or actual domestic violence; sexual assault; stalking; harassment; human trafficking; and individuals who reside in the same household as an eligible applicant or program participant. The Office of the Secretary of State is responsible for operating the Maryland Safe at Home ACP.

The Secretary of State used \$40,000 in Victims of Crime Act grant funding in fiscal 2025 for the ACP database management to upgrade security and enhance functionality. The database is an air-gapped system (secure computer network isolated from unsecured networks) that can only be accessed from the Office of the Secretary of State.

Exhibit 5 shows the number of program participants and the number of participants reenrolling from fiscal 2020 to 2024. The number of participants statewide increased by 9% in fiscal 2024 compared to fiscal 2023, continuing an upward trend. At 1,759, the number of participants in fiscal 2024 was 51% higher than fiscal 2020. Participants reenrolling increased by 57% in fiscal 2024 compared to fiscal 2023.

Exhibit 5
Address Confidentiality Program Participation
Fiscal 2020-2024



Source: Department of Budget and Management

4. Maryland Register Electronic Filing System

The Office of the Secretary of State operates the Electronic Filing System (ELF), which is the online interface that all State agencies use to submit regulations to the Division of State Documents (DSD) for publication. Agencies submit proposed regulations, including emergency regulations, to DSD via ELF, and proposed regulations are reviewed by the Joint Committee on Administrative, Executive, and Legislative Review (AELR) prior to their publication in the *Maryland Register*. The Secretary of State contracted Digital Management Inc. to modernize ELF to streamline the system to make it easier for regulations to be published. The implementation of ELF caused delays in the AELR process.

The Secretary of State decided in fiscal 2025 to move forward to a new initiative called ELF 3.0. The Department of Information Technology and DSD are working together on this initiative. ELF 3.0 is made up of two components: (1) Code of Maryland Regulations (COMAR), which is expected to launch in April 2025; and (2) the *Maryland Register*, with a launch date still to be determined. **The Secretary of State should provide an update on the ELF 3.0 status and functionalities.**

Operating Budget Recommended Actions

1. Concur with Governor's allowance.

Appendix 1
2024 Joint Chairmen’s Report Responses from Agency

The 2024 *Joint Chairmen’s Report* (JCR) requested that the Secretary of State prepare a report on the status of vacant positions. Electronic copies of the full JCR responses can be found on the Department of Legislative Services Library website.

- ***Report on the Status of Vacant Positions:*** Committee narrative in the 2024 JCR requested that the Secretary of State submit a report detailing the status of recruiting and hiring for their vacant positions, including the status of reclassifying the Assistant Secretary of State for Charities and Legal Services position. The Secretary of State submitted the report on August 1, 2024. The Assistant Secretary of State for Charities and Legal Services position was converted into a budget assistant role to monitor charitable enforcement accounts. The Charities and Legal Services Division administrator was promoted to be the director of the division. The forensic auditor position was converted to add another charities investigator position, which was filled by a former contractor with experience in the Secretary of State’s charitable enforcement processes.

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

<u>Object/Fund</u>	<u>FY 24 Actual</u>	<u>FY 25 Working Appropriation</u>	<u>FY 26 Allowance</u>	<u>FY 25 - FY 26 Amount Change</u>	<u>Percent Change</u>
Positions					
01 Regular	29.00	29.00	29.00	0.00	0%
02 Contractual	19.74	9.50	6.00	-3.50	-36.8%
Total Positions	48.74	38.50	35.00	-3.50	-9.1%
Objects					
01 Salaries and Wages	\$ 3,587,603	\$ 3,560,693	\$ 3,873,569	\$ 312,876	8.8%
02 Technical and Special Fees	478,095	719,325	425,203	-294,122	-40.9%
03 Communication	92,274	109,879	103,516	-6,363	-5.8%
04 Travel	21,859	130,222	160,044	29,822	22.9%
07 Motor Vehicles	874	5,208	5,615	407	7.8%
08 Contractual Services	644,908	839,055	1,001,632	162,577	19.4%
09 Supplies and Materials	99,096	60,250	76,115	15,865	26.3%
10 Equipment – Replacement	0	39,963	27,946	-12,017	-30.1%
11 Equipment – Additional	6,857	9,390	16,400	7,010	74.7%
12 Grants, Subsidies, and Contributions	982,000	10,000	0	-10,000	-100.0%
13 Fixed Charges	39,498	40,331	56,362	16,031	39.7%
Total Objects	\$ 5,953,064	\$ 5,524,316	\$ 5,746,402	\$ 222,086	4.0%
Funds					
01 General Fund	\$ 4,204,481	\$ 3,417,367	\$ 3,720,111	\$ 302,744	8.9%
03 Special Fund	1,636,335	1,874,452	2,026,291	151,839	8.1%
09 Reimbursable Fund	112,248	232,497	0	-232,497	-100.0%
Total Funds	\$ 5,953,064	\$ 5,524,316	\$ 5,746,402	\$ 222,086	4.0%

Note: The fiscal 2025 appropriation does not include deficiencies. The fiscal 2026 allowance does not include statewide salary adjustments budgeted within the Department of Budget and Management.