

D16A06
Secretary of State

Operating Budget Data

(\$ in Thousands)

	<u>FY 02</u>	<u>FY 03</u>	<u>FY 04</u>	<u>FY 03 - 04</u>	<u>FY 03 - 04</u>
	<u>Actual</u>	<u>Approp.</u>	<u>Allowance</u>	<u>Change</u>	<u>% Change</u>
General Funds	\$2,496	\$2,638	\$2,557	-81	-3.1%
FY 2003 Cost Containment	0	-129	0	129	
Contingent & Back of Bill Reductions	0	-2	-13	-11	
Adjusted General Funds	\$2,496	\$2,507	\$2,544	\$37	1.5%
Special Funds	503	493	495	2	0.4%
Adjusted Grand Total	\$2,999	\$3,000	\$3,038	\$39	1.3%

- The comparison between the fiscal 2003 working appropriation and the fiscal 2004 allowance accounts for fiscal 2003 cost containment and contingent and back of bill reductions.
- Total funds increase by \$38,303 (1.3%) over the fiscal 2003 working appropriation. The increase includes a \$36,389 increase in general funds and a \$1,914 increase in special funds.
- The general fund includes a \$75,241 increase for a web-based electronic filing project.

Personnel Data

	<u>FY 02</u>	<u>FY 03</u>	<u>FY 04</u>	<u>Change</u>
	<u>Actual</u>	<u>Working</u>	<u>Allowance</u>	
Regular Positions	38.60	37.60	34.60	-3.00
Contractual FTEs	2.20	2.10	2.60	0.50
Total Personnel	40.80	39.70	37.20	-2.50

Vacancy Data: Regular Positions

Budgeted Turnover: FY 04	1.73	5.00%
Positions Vacant as of 12/31/02	3.00	7.69%

- Total personnel costs decrease by \$118,002 from the fiscal 2003 working appropriation to the fiscal 2004 allowance. The personnel change occurs with decreases for 3 abolished regular positions, turnover expectancy, salary funding, and social security. The change also includes increases in health insurance and retirement.

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

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- As of December 31, 2002, the vacancy rate at the Secretary of State was 7.69%, or 3 positions. These 3 vacant positions are abolished under the Governor's allowance.
- The budgeted turnover rate for fiscal 2004 is 5.0%, or 1.73 positions.

Analysis in Brief

Issues

Web-based Electronic Filing Project: The Secretary of State is attempting to develop electronic filing capability that would permit all documents for publication in the *Maryland Register* to be transmitted electronically.

Recommended Actions

	<u>Funds</u>
1. Delete funds for web-based electronic filing project.	\$ 75,241
2. Delete funds for one replacement vehicle.	13,694
3. Reduce funds for student programs including student interns and fellows from the Governor's Fellowship Program.	6,500
Total Reductions	\$ 95,435

Updates

Division of State Documents Losing Revenue: The Division of State Documents (DSD) has lost an average of 10.1% in revenue from fiscal 1999 to 2003. Subsequently, DSD has been unable to continue its reliance on special funds and now receives general fund appropriations to offset the loss in revenue. The lost revenue is a result of Chapter 669, Acts of 1999 which requires the Secretary of State to offer free online access to the *Code of Maryland Regulations* and the *Maryland Register*.

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Operating Budget Analysis

Program Description

The Secretary of State attests to the Governor's signature on all public papers and documents; certifies documents for interstate and international transactions; registers trademarks, service marks, and insignia; administers the Notary Public laws; processes extradition of prisoners to and from other states; administers Special Police Commissions; registers charitable organizations, professional fundraisers, and solicitors and educates the public concerning charitable organizations and solicitations; and represents the State of Maryland and the executive department in intergovernmental and international affairs. The Division of State Documents (DSD) compiles and publishes all the State's administrative regulations in the *Maryland Register* and *Code of Maryland Regulations* (COMAR). The office processes extraditions and maintains a docket on pardons. The Charitable Giving Information Program, a component of the Charities and Legal Services Division, registers, regulates, investigates, and informs the public about charitable organizations and professional solicitors. Through these activities, the Secretary of State addresses the need for:

- strengthening and enhancing Maryland's role and influence in international affairs;
- obtaining accurate financial information from charitable organizations required to register with the Office of the Secretary of State;
- utilizing technology to increase citizen access to information; and
- promoting public access to State government regulations.

Performance Analysis: Managing for Results

A review of the submitted Managing for Results (MFR) performance data generally shows that performance is moving (or is estimated to move) in a positive direction. The Secretary of State effectively links its performance measures to goals and objectives. However, the Secretary of State is not always specific on when it intends to achieve its goals. Objectives 1.1 and 3.1 could be improved by including an estimated year for completing the goal.

Objective 1.1 states that 100% of documents published in the *Maryland Register* will be filed electronically. The Secretary of State expects to file over 30% of documents published in the *Maryland Register* electronically by 2004. Objective 1.1 could be improved if an estimated year for completing the objective is included. In attempts to move toward its objective, the Secretary of State has requested funds for fiscal 2004 for the outsourcing of a web-based electronic filing project that would permit all documents for publication in the *Maryland Register* to be transmitted electronically.

Objective 3.1 states that the Secretary of State will review all financial information submitted and ensure adherence to the requirements of the Maryland Charitable Solicitations Act. The Secretary of State conducted a comprehensive review of 1% of all financial documents in 2001 and expects to review 3% of documents in 2004. The Secretary of State only conducts a comprehensive review of financial documents

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that are flagged from the charities division for having inconsistencies or potential problems. Objective 3.1 could be improved by stating that the objective is not to review all financial information submitted, but only the financial documents flagged by the charities division. Objective 3.1 could also be improved if an estimated year for completing the objective is included.

The Secretary of State has achieved success in complying with an electronic government initiative. Objective 4.1 states that the Secretary of State will comply with the E-government Initiative (50/65/80 plan). The plan requires State agencies to web enable 50% of business process by 2002, 65% by 2003, and 80% by 2004. The Secretary of State achieved a 72% rate in 2002 and estimates achieving an 80% rate in 2003 and a 96% rate in 2004. The percentages are measured by the amount of business process constituents are able to access online. To improve their web-enabled percentage, the Secretary of State has proposed allowing charities the opportunity for electronic filing of tax information and registration forms as well as the ability to pay registration fees online.

The Secretary of State should include estimated years of completion in Objectives 1.1 and 3.1. The Secretary of State should also alter Objective 3.1 to explain that it only reviews financial documents that are flagged from the charities division for having inconsistencies or potential problems.

Exhibit 1 provides a sampling of MFR measures and selected MFR objectives.

Exhibit 1

**Program Measurement Data
Secretary of State
Fiscal 2001 through 2004**

	FY 2001 Actual	FY 2002 Actual	FY 2003 Est.	FY 2004 Est.	FY 01-02 Annual Change	FY 01-04 Annual Change
Number of documents published in the <i>Maryland Register</i>	1,831	1,942	1,900	1,900	6.1%	1.2%
Number of documents published in the <i>Maryland Register</i> that were filed electronically	0	0	0	600	n/a	n/a
Charitable organizations required to submit financial forms	3,942	4,042	4,150	4,250	2.5%	2.5%
Financial forms reviewed	53	94	105	115	77.4%	29.5%
Visits to the Office of the Secretary web site	373,166	756,799	800,000	850,000	102.8%	31.6%
Constituent used data accessible online	68%	72%	80%	96%	5.9%	12.2%

Objective 1.1 100% of documents published in the *Maryland Register* will be filed electronically.

Objective 3.1 Review all financial information submitted and ensure adherence to the requirements of the Maryland Charitable Solicitations Act.

Objective 4.1 To comply with the E-government Initiative (50/65/80 plan).

Source: Secretary of State

Impact of Cost Containment Fiscal 2003

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The fiscal 2003 appropriation for the Secretary of State was adjusted downward by \$129,260 in general funds as part of the Governor's announced package of cost containment reductions. The actual amendment withdrawing appropriations has not been processed. The cost containment plan includes a \$60,000 reduction for contractual services providing printing, consulting, and training services. The plan also includes a \$37,000 reduction in communications costs, mainly decreasing postage costs.

Fiscal 2003 cost containment reflects the reversion of \$1,760 in appropriations to support free transit ridership for State employees, contingent upon enactment of a provision in the Budget Reconciliation and Financing Act (BRFA) of 2003.

Governor's Proposed Budget

The comparison between the fiscal 2003 working appropriation and the fiscal 2004 allowance accounts for contingent and back of bill reductions. The fiscal 2004 allowance for the Secretary of State is \$3,038,490. This represents an increase of \$38,303 (1.3%) over the fiscal 2003 working appropriation. The general fund increases by \$36,389, and the special fund increases by \$1,914.

Total personnel expenses account for a decrease of \$118,002. The personnel expenses decrease results from decreases for the abolition of 3 positions (\$132,145), turnover expectancy, and salary funding. The personnel change also includes increases for health insurance and retirement. Nonpersonnel changes include a \$75,241 increase for a web-based electronic filing project, a \$55,800 increase for contractual employee salaries, and a \$55,000 decrease for postage and telecommunications.

Exhibit 2 shows the distribution of funds. The fiscal 2003 working appropriation and the fiscal 2004 allowance are adjusted to include fiscal 2003 cost containment and contingent and back of bill reductions.

Impact of Cost Containment Fiscal 2004

Three vacant positions are abolished under the fiscal 2004 allowance, accounting for a reduction of \$132,145. The fiscal 2004 allowance also reflects the elimination of the \$13,160 appropriation for matching employee deferred compensation contributions up to \$600, contingent upon enactment of a provision in the BRFA of 2003.

Exhibit 2

**Governor's Proposed Budget
Secretary of State
(\$ in Thousands)**

	<u>FY 02</u> <u>Actual</u>	<u>FY 03</u> <u>Approp.</u>	<u>FY 04</u> <u>Allowance</u>	<u>FY 03 - 04</u> <u>Change</u>	<u>FY 03 - 04</u> <u>% Change</u>
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Adjusted General Funds	\$2,496	\$2,507	\$2,544	\$37	1.5%
Special Funds	503	493	495	2	0.4%
Adjusted Grand Total	\$2,999	\$3,000	\$3,038	\$39	1.3%

Where It Goes:

Personnel Expenses

Abolished positions	-\$132
Social security, workers' compensation, and other adjustments.....	-25
Health insurance	43
Cost containment and turnover expectancy	-8
Retirement	3

Other Changes

Funding for web-based electronic filing project	75
Increase in funding for contractual employees.....	56
Equipment replacement for personal computers, fax machines, printer, monitors	8
Increase for in-state conferences/seminars.....	7
Increase for student payments including work study programs.....	7
Insurance and subscriptions	2
Increase for telephone.....	3

Total **\$39**

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

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Personnel

Total personnel expenses account for a \$118,002 decrease in the general fund. This change includes decreases of \$132,145 for 3 abolished positions, \$7,551 for cost containment and turnover expectancy, and \$24,508 for workers' compensation and other adjustments. The change also includes increases of \$43,458 for health insurance and \$2,744 for retirement.

As of December 31, 2002, the vacancy rate at the Secretary of State was 7.69% or 3 positions. These 3 vacant positions are abolished under the Governor's budget. The abolished positions include an investigator in the Charities and Legal Services Division, a special assistant in the Division of Intergovernmental and International Relations, and a Notary Public Officer. The responsibilities of these positions are being performed by other employees in each respective division and efficiency has often declined. For example, in the Charities and Legal Services Division, many investigations have remained open for extended periods of time.

Issues

1. Web-based Electronic Filing Project

Over the years, the Secretary of State has received complaints from agencies on the current process for submitting regulation amendments to the Division of State Documents for publication in the *Maryland Register*. The main complaint is that agencies must cut and paste on paper rather than use a word processing application to make changes to an electronic document. In response, the Secretary of State is attempting to develop electronic filing capability that would permit all documents for publication in the *Maryland Register* to be transmitted electronically.

There are three options to develop electronic filing capability: in-house development, purchasing customized software to run on the DSD server, or outsourcing the project. The Secretary of State's fiscal 2004 allowance includes \$75,241 for the complete outsourcing of the system. The outsourcing includes the data base conversion, programming, and the hosting of both the COMAR online web site and the web-based electronic filing site. Cost estimates are \$63,550 in up-front development and approximately \$2,900 a month in service fees for five years. There would then be a buy-out of the system at the end of the five-year contract. The fiscal 2004 allowance provides \$75,241 for this project. **DLS recommends deleting \$75,241 in general funds for the web-based electronic filing project. Funding for the initiative should be deferred until fiscal 2005 due to the financial condition of the State.**

Recommended Actions

	<u>Amount Reduction</u>	
1. Delete funds for web-based electronic filing project that would permit all documents for publication in the <i>Maryland Register</i> to be transmitted electronically. Funding for this initiative should be deferred until fiscal 2005 due to the financial condition of the State.	\$ 75,241	GF
2. Delete funds for one replacement vehicle. The agency plans to replace an existing pool car with a new vehicle that would be assigned to one of two Assistant Secretaries of State. Without the new car, the Secretary of State will still have three pool cars. The Department of Budget and Management's instructions state that pool cars should exceed 10,000 annual miles. Two of the Secretary of State's pool cars only have 5,000 predicted annual miles for fiscal 2004.	13,694	GF
3. Reduce funds for student programs including student interns and fellows from the Governor's Fellowship Program. Funding for student programs in fiscal 2004 is reduced due to the fiscal condition of the State. This reduction would leave \$1,000 in the budget for student programs.	6,500	GF
Total General Fund Reductions	\$ 95,435	

Updates

Division of State Documents Losing Revenue

Legislation was adopted during the 1999 legislative session requiring the Office of the Secretary of State to offer free online access to the *Code of Maryland Regulations* (COMAR) and the *Maryland Register* (Chapter 669, Acts of 1999). Following that time, the Division of State Documents (DSD) has experienced a dramatic decrease in special fund revenue. Subsequently, DSD has been unable to continue its reliance on special funds and now receives general fund appropriations to offset the loss in revenue.

In fiscal 2004, DSD is projected to receive \$494,909 in special funds and \$1,109,002 in general funds with a total budget of \$1,603,911 (31% special funds and 69% general funds). Comparatively, in fiscal 2002, DSD received \$503,076 in special funds and \$927,966 in general funds for a total budget of \$1,431,042 (35% special funds and 65% general funds). DSD is concerned with its increasing reliance on general funds.

Special fund revenue has continued to decline beginning in fiscal 2000. DSD has lost an average of 10.1% in revenue from fiscal 1999 to 2003. **Exhibit 3** shows the decline in special fund revenue from fiscal 1999 through fiscal 2003.

Exhibit 3

Division of State Documents Revenue

	<u>FY 99</u> <u>Actual</u>	<u>FY 00</u> <u>Actual</u>	<u>FY 01</u> <u>Actual</u>	<u>FY 02</u> <u>Actual</u>	<u>FY 03</u> <u>Projected</u>	<u>FY 99-03</u> <u>Annual</u> <u>Change</u>
<i>Maryland Register</i>	132,650	91,000	96,950	91,405	70,000	-14.8%
COMAR	281,763	236,814	224,116	225,453	210,000	-7.1%
<i>Contract Weekly/Contract</i>						
<i>Weekly Online</i>	286,437	238,633	182,056	189,977	175,000	-11.6%
Licensing Agreements	47,000	0	47,500	52,621	47,000	0%
Miscellaneous	22,079	9,286	5,227	6,117	0	-100%
ITIF Fund	0	75,000	0	0	0	0%
Total	\$769,929	\$650,733	\$555,849	\$565,573	\$502,000	-10.1%

ITIF: Information Technology Investment Fund

Source: Secretary of State

Current and Prior Year Budgets

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

	<u>General Fund</u>	<u>Special Fund</u>	<u>Federal Fund</u>	<u>Reimb. Fund</u>	<u>Total</u>
Fiscal 2002					
Legislative Appropriation	\$2,542	\$588	\$0	\$0	\$3,130
Deficiency Appropriation	0	0	0	0	0
Budget Amendments	0	0	0	0	0
Reversions and Cancellations	-46	-85	0	0	-131
Actual Expenditures	\$2,496	\$503	\$0	\$0	\$2,999
Fiscal 2003					
Legislative Appropriation	\$2,638	\$493	\$0	\$0	\$3,131
Budget Amendments	-131	0	0	0	-131
Working Appropriation	\$2,507	\$493	\$0	\$0	\$3,000

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

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Fiscal 2002

Fiscal 2002 expenditures at the Secretary of State totaled \$2,999,368, which is \$131,238 less than the legislative appropriation. The \$131,238 reduction was accounted for by reversions and cancellations. \$53,000 of this amount was the result of cost containment measures and the remainder was due to special and general fund reversions at the end of fiscal 2002.

Fiscal 2003

In fiscal 2003 the legislative appropriation of \$3,131,000 was reduced by nearly \$131,000. The reduction includes a \$129,000 decrease for cost containment and a \$1,760 decrease for contingent and back of bill reductions (reversion of appropriation for transit ridership). The reductions for fiscal 2003 cost containment include a \$60,000 decrease for contractual services and a \$37,000 decrease for communications costs.

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Appendix 2

Object/Fund Difference Report
Secretary of State

Object/Fund	FY 03		FY 04 Allowance	FY 03 – FY 04 Amount Change	Percent Change
	FY 02 Actual	Working Appropriation			
Positions					
01 Regular	38.60	37.60	34.60	-3.00	-8.0%
02 Contractual	2.20	2.10	2.60	0.50	23.8%
Total Positions	40.80	39.70	37.20	-2.50	-6.3%
Objects					
01 Salaries and Wages	\$ 1,992,006	\$ 2,074,759	\$ 1,968,157	-\$ 106,602	-5.1%
02 Technical & Spec Fees	84,597	69,831	105,790	35,959	51.5%
03 Communication	169,435	187,070	132,308	-54,762	-29.3%
04 Travel	22,827	22,000	25,100	3,100	14.1%
06 Fuel & Utilities	1,194	1,000	1,000	0	0%
07 Motor Vehicles	4,741	24,991	28,104	3,113	12.5%
08 Contractual Services	458,662	528,788	557,284	28,496	5.4%
09 Supplies & Materials	49,091	49,639	47,300	-2,339	-4.7%
10 Equip - Replacement	28,176	10,270	18,500	8,230	80.1%
11 Equip - Additional	30,488	17,619	17,617	-2	0%
13 Fixed Charges	157,851	144,980	146,990	2,010	1.4%
14 Land & Structures	300	0	3,500	3,500	N/A
Total Objects	\$ 2,999,368	\$ 3,130,947	\$ 3,051,650	-\$ 79,297	-2.5%
Funds					
01 General Fund	\$ 2,496,292	\$ 2,637,952	\$ 2,556,741	-\$ 81,211	-3.1%
03 Special Fund	503,076	492,995	494,909	1,914	0.4%
Total Funds	\$ 2,999,368	\$ 3,130,947	\$ 3,051,650	-\$ 79,297	-2.5%

Note: Fiscal 2003 appropriations and fiscal 2004 allowance do not include cost containment and contingent reductions.

		Fiscal Summary Secretary of State					
		FY02 Actual	FY03 Legislative Appropriation	FY03 Working Appropriation	FY02 - FY03 % Change	FY04 Allowance	FY03 - FY04 % Change
<u>Unit/Program</u>							
01 Office of the Secretary of State		\$ 2,999,368	\$ 3,130,947	\$ 3,130,947	4.4%	\$ 3,051,650	-2.5%
Total Expenditures		\$ 2,999,368	\$ 3,130,947	\$ 3,130,947	4.4%	\$ 3,051,650	-2.5%
General Fund		\$ 2,496,292	\$ 2,637,952	\$ 2,637,952	5.7%	\$ 2,556,741	-3.1%
Special Fund		503,076	492,995	492,995	-2.0%	494,909	0.4%
Total Appropriations		\$ 2,999,368	\$ 3,130,947	\$ 3,130,947	4.4%	\$ 3,051,650	-2.5%

Note: Fiscal 2003 appropriations and fiscal 2004 allowance do not include cost containment and contingent reductions.