

D16A06
Secretary of State

Operating Budget Data

(\$ in Thousands)

	<u>FY 09</u> <u>Actual</u>	<u>FY 10</u> <u>Working</u>	<u>FY 11</u> <u>Allowance</u>	<u>FY 10-11</u> <u>Change</u>	<u>% Change</u> <u>Prior Year</u>
General Fund	\$2,039	\$1,884	\$2,000	\$116	6.2%
Contingent & Back of Bill Reductions	0	0	-52	-52	
Adjusted General Fund	\$2,039	\$1,884	\$1,949	\$65	3.4%
Special Fund	548	603	350	-254	-42.0%
Adjusted Special Fund	\$548	\$603	\$350	-\$254	-42.0%
Adjusted Grand Total	\$2,588	\$2,487	\$2,298	-\$189	-7.6%

Note: For purposes of illustration, the Department of Legislative Services has estimated the distribution of selected across-the-board budget reductions. The actual allocations are to be developed by the Administration.

- The fiscal 2011 allowance declines by \$188,967 after adjusting for across-the-board reductions outlined in the Governor's budget plan.
- General funds increase by \$64,502 while special funds decrease by \$253,560 as the Division of State Documents reduces printing expenditures.

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

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Personnel Data

	<u>FY 09</u> <u>Actual</u>	<u>FY 10</u> <u>Working</u>	<u>FY 11</u> <u>Allowance</u>	<u>FY 10-11</u> <u>Change</u>
Regular Positions	29.50	27.00	25.00	-2.00
Contractual FTEs	<u>1.00</u>	<u>1.00</u>	<u>1.00</u>	<u>0.00</u>
Total Personnel	30.50	28.00	26.00	-2.00

Vacancy Data: Regular Positions

Turnover and Necessary Vacancies, Excluding New Positions	0.75	3.00%
Positions and Percentage Vacant as of 12/31/09	3.00	11.11%

- The allowance deletes 2 positions, 1 which is vacant, within the Division of State Documents that were involved with printing and publishing documents. These documents are being converted to online-only publication.
- The fiscal 2010 budgeted turnover expectancy of 7.89% is lowered to 3.0% in the 2011 allowance. The current vacancy rate is 11.11%.

Analysis in Brief

Major Trends

Review of Charities Financial Statements: Part of the office’s responsibilities includes the review of charitable organizations’ financial statements for compliance with the Maryland Solicitations Act. While the number of financial statements reviewed by the office is a component of its Managing for Results submission, this performance measure would be of greater value were it to include a timeliness measure. **The Secretary should update the committees on the length of time it takes to review and resolve financial statement inconsistencies.**

Issues

Report on the Address Confidentiality Program: The Address Confidentiality Program (ACP) was created in Chapter 374 of 2006 to establish a system where State and local agencies may respond to requests for public records without disclosing the location of a domestic violence victim. After losing a manager position in the fiscal 2010 allowance, the *Joint Chairmen’s Report* requested information on the impact that it would have on ACP’s operations. The office reports that it will have a minimal impact, and the record of same-day mail turnaround will be maintained. **The Secretary of State**

should comment on how same-day turnaround can be maintained given the projected growth rates.

Recommended Actions

	<u>Funds</u>	<u>Positions</u>
1. Adjust general funds for turnover expectancy.	\$ 25,000	
2. Delete funding for the Sister States Program.	96,804	1.0
Total Reductions	\$ 121,804	1.0

Updates

Reorganization of the Division of State Documents: A special fund balance within the Division of State Documents was drawn down in recent years as revenues from the sales of *Code of Maryland Regulations* and the Maryland Register fell due to their availability online. Before the fund balance could be exhausted entirely, the division was reorganized, resulting in several abolished positions and annual savings estimated at nearly \$200,000.

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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; administers Special Police Commissions; and represents the State of Maryland and the Executive Department in intergovernmental and international affairs. The office also 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. The office also administers the Address Confidentiality Program for victims of domestic violence in Maryland. The Division of State Documents compiles and publishes all of the State's administrative regulations in the Maryland Register and Code of Maryland Regulations. 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 access to State government regulations.

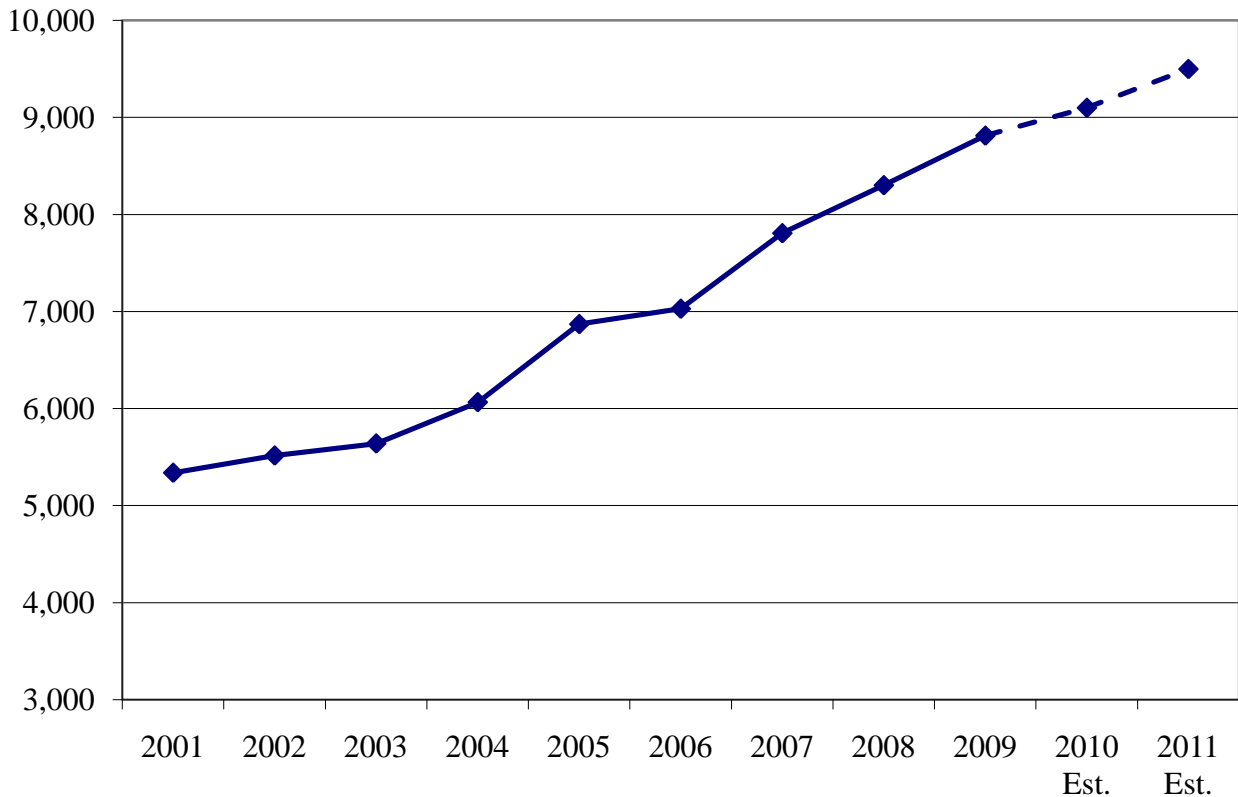
Performance Analysis: Managing for Results

Charity Registrations Increase

The Secretary of State is responsible for the registration of all charities within the State that solicit donations from citizens. The office's responsibilities include the review of a charitable organization's financial and governing documents as well as the review of all fundraising contracts.

For the last several years, the office has undertaken a proactive approach to finding unregistered charities and educating such organizations on the State's registration requirements. This effort has led to a significant increase in the number of registered charities operating in Maryland. This is expected to continue into fiscal 2011, as shown in **Exhibit 1**. There were 8,813 registered charities in Maryland in fiscal 2009, 511 greater than in fiscal 2008.

Exhibit 1
Registered Charities in Maryland
Fiscal 2001-2011 Estimate



Source: Governor’s Budget Books, Fiscal 2011

As previously mentioned, part of the office’s responsibilities includes the review of charitable organizations’ financial statements for compliance with the Maryland Solicitations Act. While the number of financial statements reviewed by the office is a component of its Managing for Results submission, this performance measure would be of greater value were it to include a timeliness measure. A year ago, the office reported that once an error was detected, the office strives to review the financial statement immediately, but at least within 10 days. **The Secretary of State should update the committees on the length of time it takes to review and resolve financial statement inconsistencies.**

Fiscal 2010 Actions

Impact of Cost Containment

Throughout fiscal 2010, the Board of Public Works (BPW) reduced the Secretary of State's budget by a total of \$274,014 in general funds and \$552 in special funds. The first reduction was \$75,000 in general funds, which the office accommodated by increasing turnover. The second reduction was by \$130,514 in general funds and \$552 in special funds. These savings were found by implementing the State's fiscal 2010 furlough policy as well as reorganizing the office's Division of State Documents. The third set of reductions reduced the Secretary of State's budget by \$68,500 in general funds in reduced printing and personnel costs.

Proposed Budget

As shown in **Exhibit 2**, the Secretary of State's budget decreases by \$188,967 after accounting for across-the-board reductions. There were two major increases, both related to salaries. First, a turnover rate adjustment from 7.9% in fiscal 2010 to 3.0% in the allowance increases the budget by \$112,066. In addition, contractual employee salaries increase \$27,926 to restore pay rates to pre-furlough levels and also due to a 0.4 full-time equivalent contractual position's duties being reclassified with more responsibility.

Exhibit 2
Proposed Budget
Secretary of State
(\$ in Thousands)

How Much It Grows:	General Fund	Special Fund	Total
2010 Working Appropriation	\$1,884	\$603	\$2,487
2011 Allowance	<u>2,000</u>	<u>350</u>	<u>2,350</u>
Amount Change	\$116	-\$254	-\$137
Percent Change	6.2%	-42.0%	-5.5%
Contingent Reductions	-\$52	\$0	-\$52
Adjusted Change	\$65	-\$254	-\$189
Adjusted Percent Change	3.4%	-42.0%	-7.6%

Where It Goes:

Personnel Expenses

Turnover adjustment from 7.9 to 3.0%	\$112
Retirement.....	19
Employee and retiree health insurance	-19
Abolished/transferred positions	-128
Other fringe benefit adjustments.....	-1

Other Changes

Contractual employee salaries	28
Travel.....	-10
Postage.....	-15
Air handling unit replacement project completed.....	-35
Reduced printing costs.....	-86
Other changes	-7

Across-the-board Reductions

Fiscal 2011 employee furlough.....	-45
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Total **-\$189**

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

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Despite these two increases, the decreases outweighed the increases in the Secretary of State's budget. The 2 positions abolished in the allowance decreased the budget by \$128,269. As part of the reorganization of the Division of State Documents, printing costs decline by \$86,258. One-time expenses related to replacing an air handling unit in fiscal 2010 result in a \$35,000 decrease fiscal 2011.

Impact of Cost Containment

The fiscal 2011 budget reflects several across-the-board actions to be allocated by the Administration. This includes a combination of employee furloughs and government shut-down days similar to the plan adopted in fiscal 2010; a reduction in overtime based on accident leave management; streamlining of State operations; hiring freeze and attrition savings; a change in the injured workers' settlement policy and administrative costs; and a savings in health insurance to reflect a balance in that account. For purposes of illustration, the Department of Legislative Services has estimated the distribution of selected actions relating to employee furloughs and health insurance. The estimated savings, due to employee furloughs, totals \$45,485. Health insurance savings is estimated to total \$6,245.

Issues

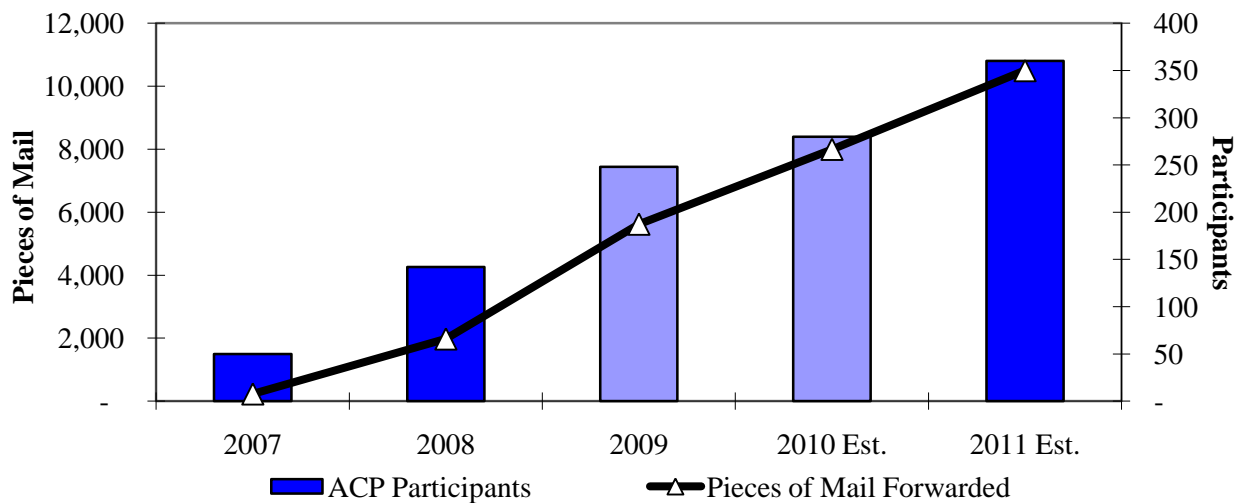
1. Report on the Address Confidentiality Program

The ACP was created in Chapter 374 of 2006 to establish a system where State and local agencies may respond to requests for public records without disclosing the location of a domestic violence victim. The program allows a participant to use a substitute address in place of an actual address when interacting with State or local agencies. The Secretary of State administers the program, receiving mail from the substitute address and forwarding it to the appropriate recipient.

In response to a 2009 *Joint Chairmen’s Report* information request, the Secretary of State submitted a report outlining the work of the ACP. As a cost containment measure, an ACP manager position was deleted in the fiscal 2010 allowance. The budget committees were concerned about the impact the position reduction would have upon the program, especially considering the rapid growth the program was experiencing. Specifically, the office was asked to provide annual data on the ACP’s number of participants, the number of pieces of mail forwarded, and the number of employees overseeing the program.

As shown in **Exhibit 3**, participation in the program has grown significantly. In fiscal 2007, the first year of the program, there were 50 participants. Two years later, in fiscal 2009, participation had grown to 248, an increase of 396%. The program is expected to continue to grow, reaching 360 participants in fiscal 2011.

Exhibit 3
Address Confidentiality Program
Fiscal 2007-2011 Estimate



Source: Governor’s Budget Books, Fiscal 2011 and 2011

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The amount of mail the ACP has forwarded increased at an even greater rate, demonstrating both the increased participation and how much participants are relying on the program. In fiscal 2007, a total of 229 pieces of mail was forwarded to ACP participants. By fiscal 2009, that number grew to 5,622, an increase of 2,355.0%. The program is expected to continue to grow an additional 86.8% by fiscal 2011.

The office reports that 3 employees are assigned to the ACP – 1 coordinator and 2 staff. The office also reports that the loss of the manager has not had a negative impact on the program. The ACP coordinator now handles the duties of the manager, and the 2 additional staff were already familiar with the program before they were assigned. Special circumstances notwithstanding, the office reports a same-day turnaround of all mail received. The same level of service is expected in coming years even as the ACP participation continues to expand rapidly. **The Secretary of State should comment on how same-day turnaround can be maintained given the projected growth rates.**

Recommended Actions

	<u>Amount Reduction</u>		<u>Position Reduction</u>
1. Reduce general funds for turnover expectancy to more closely align with the current vacancy rate. While the agency has a vacancy rate of 11%, the allowance assumes a turnover rate of 3%.	\$ 25,000	GF	
2. Delete funding for the International Affairs program. The majority of these funds support the Sister States Program, which is not a core function of the office or of State government. The remaining functions of the program should be absorbed with existing resources within the Secretary of State.	96,804	GF	1.0
Total General Fund Reductions	\$ 121,804		1.0

Updates

1. Reorganization of the Division of State Documents

The Division of State Documents is under the Secretary of State and is responsible for publishing the *Code of Maryland Regulations* (COMAR) and the *Maryland Register*. It sells subscriptions to both publications, and until recently, income was greater than expenses and a sizable fund balance accrued. At the beginning of fiscal 2008, the division's fund balance was \$691,035. Free online publication was mandated in Chapter 668 of 1999; however, and special fund revenues began to decline. An additional impact to the division's special fund revenues occurred when the division ceased publishing *Maryland Contract Weekly* in 2005 due to Chapter 515 of 2004.

With special fund revenues declining, the Secretary of State was using the special fund balance to cover the cost of operating the Division of State Documents. At the end of fiscal 2010, the office expects \$137,083 to remain in the fund. If spending were to continue at the current rate, the fund would be completely exhausted in fiscal 2011. Recognizing that possibility, the office is in the process of reorganizing the division to adapt to the current revenue structure and maximize efficiencies.

One of the most significant changes to the Division of State Documents was ending the print publication of the *Maryland Register*. Expected to save \$100,000 annually, current subscribers will be asked if they want to purchase an online-only version of the publication when their current subscription is up for renewal. If they wish to continue receiving a hard copy, the Department of General Services will print it at a lower cost. Another change is automating previously outsourced activities, such as the development of the Table of Contents for COMAR, expected to save \$12,000 annually.

One additional action increasing efficiency is eliminating steps in the printing and online publication of COMAR and the *Maryland Register*. As a result, the November round of BPW reductions deleted 2 positions, an editor and a shipping clerk, saving \$92,000 annually. The fiscal 2011 allowance abolishes 2 additional Division of State Documents positions.

The Secretary of State expects revenues to stabilize at \$350,000 (\$300,000 for COMAR and \$50,000 for the *Maryland Register*). The personnel reductions as well as the changes to printing and publication are expected to be \$350,000, allowing the Division of State Documents to become self sufficient.

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 2009					
Legislative Appropriation	\$2,261	\$510	\$0	\$0	\$2,772
Deficiency Appropriation	0	0	0	0	0
Budget Amendments	27	93	0	0	120
Cost Containment	-246	-1	0	0	-247
Reversions and Cancellations	-3	-54	0	0	-57
Actual Expenditures	\$2,039	\$548	\$0	\$0	\$2,588
Fiscal 2010					
Legislative Appropriation	\$2,158	\$568	\$0	\$0	\$2,726
Cost Containment	-274	-1	0	0	-275
Budget Amendments	0	36	0	0	36
Working Appropriation	\$1,884	\$603	\$0	\$0	\$2,487

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

Fiscal 2009

The legislative appropriation for the Secretary of State was \$2,261,391 in general funds and \$510,143 in special funds. A State employee cost-of-living adjustment added \$35,050 in general funds and \$1,600 in special funds to the office's budget. Offsetting these increases are several cost containment reductions.

The general fund appropriation was reduced three times by BPW for a total of \$245,952. The first round reduced the Secretary of State budget by \$62,834 and was attained by a combination of reduced health insurance spending and increasing vacancy rates. The next round reduced the budget by \$142,128. Of this amount, \$53,128 was across-the-board reductions mainly in Other Post Employment Benefits and \$33,540 was saved through management efficiencies. An additional \$55,460 was swapped with special funds from the Division of State Documents special fund. A final reduction took \$40,990. Furlough reductions made up \$26,990, \$10,000 was from an increase in turnover, and a final \$4,000 was found by reducing various operating expenses such as spending on cell phones.

Special funds experienced only one reduction from cost containment, by \$712. There were two special fund increases. A budget amendment for \$36,000 allowed the office to replace a failing air handling unit within the Division of State Documents to prevent further damage to the office's information technology equipment. Another increase of \$55,460 partially offset the BPW's general fund reductions.

Funds unspent at the end of the fiscal year totaled \$3,344 in general funds and \$54,119 in special funds. Of the special fund cancellation, \$36,000 was from the budget amendment to replace the failing air handling unit. This money was re-appropriated through budget amendment in fiscal 2010. The remaining \$18,119 was due to cost containment actions within the Division of State Documents.

Fiscal 2010

The legislative appropriation was \$2,158,088 in general funds and \$567,619 in special funds. A special fund budget amendment of \$36,000 represented the re-appropriation of funds to replace a failing air handling unit.

The Secretary of State's budget has been reduced three times due to BPW reductions. The first round reduced the office's budget by \$75,000 in general funds and was accommodated by increasing turnover. The second round reduced the budget by \$130,514 in general funds and \$552 in special funds. Savings for this reduction were found by furloughing employees and reorganizing the Department of State Documents. The final round was \$68,500, \$32,913 of which is due to lower than expected printing costs and \$32,087 from deleting 1.5 positions from the Division of State Documents in a further consolidation of the office.

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

<u>Object/Fund</u>	<u>FY09 Actual</u>	<u>FY10 Working Appropriation</u>	<u>FY11 Allowance</u>	<u>FY10 - FY11 Amount Change</u>	<u>Percent Change</u>
Positions					
01 Regular	29.50	27.00	25.00	-2.00	-7.4%
02 Contractual	1.00	1.00	1.00	0	0%
Total Positions	30.50	28.00	26.00	-2.00	-7.1%
Objects					
01 Salaries and Wages	\$ 2,083,973	\$ 1,850,243	\$ 1,875,652	\$ 25,409	1.4%
02 Technical and Spec. Fees	46,389	46,099	74,025	27,926	60.6%
03 Communication	67,415	86,062	72,835	-13,227	-15.4%
04 Travel	17,406	12,500	2,300	-10,200	-81.6%
07 Motor Vehicles	4,504	7,870	7,000	-870	-11.1%
08 Contractual Services	329,796	408,291	257,932	-150,359	-36.8%
09 Supplies and Materials	13,298	33,900	26,900	-7,000	-20.6%
10 Equipment – Replacement	6,824	25,000	17,500	-7,500	-30.0%
11 Equipment – Additional	7,798	4,500	3,000	-1,500	-33.3%
13 Fixed Charges	10,114	12,656	12,740	84	0.7%
Total Objects	\$ 2,587,517	\$ 2,487,121	\$ 2,349,884	-\$ 137,237	-5.5%
Funds					
01 General Fund	\$ 2,039,145	\$ 1,884,054	\$ 2,000,377	\$ 116,323	6.2%
03 Special Fund	548,372	603,067	349,507	-253,560	-42.0%
Total Funds	\$ 2,587,517	\$ 2,487,121	\$ 2,349,884	-\$ 137,237	-5.5%

Note: The fiscal 2010 appropriation does not include deficiencies.

**Fiscal Summary
Secretary of State**

<u>Program/Unit</u>	<u>FY09 Actual</u>	<u>FY10 Wrk Approp</u>	<u>FY11 Allowance</u>	<u>Change</u>	<u>FY10 - FY11 % Change</u>
1000 Office of the Secretary of State	\$ 1,220,326	\$ 1,227,593	\$ 1,336,986	\$ 109,393	8.9%
2000 Division of State Documents	1,272,692	1,096,241	916,094	-180,147	-16.4%
3000 International Affairs	94,499	163,287	96,804	-66,483	-40.7%
Total Expenditures	\$ 2,587,517	\$ 2,487,121	\$ 2,349,884	-\$ 137,237	-5.5%
General Fund	\$ 2,039,145	\$ 1,884,054	\$ 2,000,377	\$ 116,323	6.2%
Special Fund	548,372	603,067	349,507	-253,560	-42.0%
Total Appropriations	\$ 2,587,517	\$ 2,487,121	\$ 2,349,884	-\$ 137,237	-5.5%

Note: The fiscal 2010 appropriation does not include deficiencies.