

SECRETARY OF STATE

Section A

JOINT SUBCOMMITTEE OF HOUSE APPROPRIATIONS AND SENATE FINANCE AND CLAIMS COMMITTEES

-----Agencies-----

Commissioner of Political Practice
Dept. of Administration
Dept. of Commerce
Dept. of Labor & Industry
Dept. of Military Affairs
Dept. of Revenue

Governor's Office
Legislative Branch
Montana Consumer Counsel
Secretary of State
State Auditor's Office

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Representative Luke Musziewicz
Representative Ken Walsh

Senate

Senator Forrest Mandeville (Vice Chair)
Senator Derek Harvey
Senator Tony Tezak

-----Fiscal Division Staff-----

Molly DelCurto
Ethan Bergen
Katie Guenther

Agency Base Budget Comparison

The following table compares the base budget with the requested expenditures for the upcoming biennium by type of expenditure and source of funding.

Agency Base Budget Comparison						
Budget Item	Base Budget	Requested Budget		Biennium Change from Base		
	FY 2025	FY 2026	FY 2027	Amount	Percent	
PB	43.00	43.00	43.00	0.00	0.0%	
Proprietary Funds	6,458,037	6,797,097	6,717,280	598,303	4.6%	
Total Funds	6,458,037	6,797,097	6,717,280	598,303	4.6%	
Personal Services	3,953,146	4,425,819	4,439,372	958,899	12.1%	
Operating Expenses	2,504,891	2,371,278	2,277,908	(360,596)	(7.2%)	
Total Expenditures	6,458,037	6,797,097	6,717,280	598,303	4.6%	
Total Ongoing	6,458,037	6,797,097	6,717,280	598,303	4.6%	
Total One-Time-Only					0.0%	

Agency Highlights

Secretary of State Major Budget Highlights
<ul style="list-style-type: none"> • The Secretary of State’s 2027 biennium non-budgeted proprietary appropriations are approximately \$598,000 or 4.6% higher than the FY 2025 base budget • This increase is entirely due to increased statewide present law adjustments for personal services, which is partially offset by a decreased statewide present law adjustment for fixed cost

Executive Request

The following table shows the total executive request with the base budget and the statewide present law adjustments, present law adjustments, and new proposals by source of funding.

	Office of the Secretary of State 2027 Biennium Base Budget and Requested Adjustments									
	FY 2026					FY 2027				
	General Fund	State Special	Federal Special	Total Funds	% of Budget Request	General Fund	State Special	Federal Special	Total Funds	% of Budget Request
Base Budget	0	0	0	6,458,037	95.0%	0	0	0	6,458,037	96.1%
Statewide PL										
Personal Services	0	0	0	0	0.0%	0	0	0	0	0.0%
Fixed Costs	0	0	0	0	0.0%	0	0	0	0	0.0%
Inflation Deflation	0	0	0	0	0.0%	0	0	0	0	0.0%
Total Statewide PL	0	0	0	339,060	5.0%	0	0	0	259,243	3.9%
Present Law (PL)	0	0	0	0	0.0%	0	0	0	0	0.0%
New Proposals	0	0	0	0	0.0%	0	0	0	0	0.0%
Total Adjustments	0	0	0	339,060	5.0%	0	0	0	259,243	3.9%
Total Requested Budget	0	0	0	6,797,097		0	0	0	6,717,280	

Funding

The following table shows proposed agency funding for all sources of authority.

Total Secretary of State Funding by Source of Authority 2027 Biennium Budget Request						
Funds	HB2 Ongoing	HB2 OTO	Non-Budgeted Proprietary	Statutory Appropriation	Total All Sources	% Total All Funds
State Special Revenue Total	-	-	-	-	-	0.0%
Federal Special Revenue Total	-	-	-	-	-	0.0%
06053 Sec of St Business Services			13,514,377		13,514,377	100.0%
Proprietary Fund Total	-	-	13,514,377	-	13,514,377	100.0%
Total of All Funds	-	-	13,514,377	-	13,514,377	
Percent of All Sources of Authority	0.0%	0.0%	100.0%	0.0%		

Non-Budgeted Proprietary

The Secretary of State is entirely funded with non-budgeted proprietary funding. This fund is described in further detail later in this budget analysis.

Agency Actuals and Budget Comparison

The following table compares FY 2024 actual expenditures, FY 2024 and FY 2025 appropriations, and the expenditures requested for FY 2026 and FY 2027 by type of expenditure and source of funding.

Agency Actuals and Budget Comparison					
Budget Item	Actuals Fiscal 2024	Approp. Fiscal 2024	Approp. Fiscal 2025	Request Fiscal 2026	Request Fiscal 2027
PB	0.00	43.00	43.00	43.00	43.00
Personal Services	3,712,645	3,794,921	3,953,146	4,425,819	4,439,372
Operating Expenses	3,218,542	3,516,026	2,504,891	2,371,278	2,277,908
Transfers	106,840	144,000	0	0	0
Total Expenditures	\$7,038,027	\$7,454,947	\$6,458,037	\$6,797,097	\$6,717,280
Proprietary Funds	7,038,027	7,454,947	6,458,037	6,797,097	6,717,280
Total Funds	\$7,038,027	\$7,454,947	\$6,458,037	\$6,797,097	\$6,717,280
Total Ongoing	\$7,038,027	\$7,454,947	\$6,458,037	\$6,797,097	\$6,717,280
Total OTO	\$0	\$0	\$0	\$0	\$0

Agency Description

The Secretary of State conducts its daily operations through a single program, the Business and Government Services Program. The Business and Government Services Program can be further broken down into the following functional divisions:

- The Business Services Division offers a range of services to Montana businesses, including corporations, limited liability companies, and nonprofits. The division assists businesses with the filing of their registration, articles of organization, assumed business name, and trademarks. Additionally, the division is responsible for filing and maintaining records under the Uniformed Commercial Code (UCC)
- The Elections and Voter Services Division assists Montana voters, candidates, and election officials. The division interprets election laws and provides guidance to ensure uniformity across Montana elections
- The Operations Division provides a variety of services both internally to the office and externally to the public. The division's primary functions include human resources, communications, fiscal management, information technology and security, official records, records management, administrative rules, and notary

FY 2024 Appropriation Compared to FY 2024 Actual Expenditures

In FY 2024, the Secretary of State expended 94.4% of its \$7.5 million proprietary budget. This is slightly higher than the five-year historical average expenditure of 91.2%. This higher expenditure is largely due to the Secretary of State reducing the total FTE within the agency due to operational efficiencies during the 2023 Legislative Session. In years past, personal service expenditures were lower due to the agency holding these positions vacant. In FY 2024, the agency expended 97.8% of its personal services budget.

FY 2024 Appropriations Compared to FY 2025 Appropriations

The Secretary of State's appropriation authority for FY 2025 is approximately \$997,000, or 13.4%, lower than in FY 2024. This decrease is almost entirely attributed to lower operating expenditure authority in FY 2025. During the 2025 biennium the Secretary of State requested additional operating expenditure authority in FY 2024 due to increased expenditures related to software projects and system maintenance. This increase was not requested for FY 2025.

Proprietary Program Revenues and Expenses

The following table shows the actual and projected expenditures and related revenues associated with this fund.

2027 Biennium Report on Internal Service and Enterprise Funds						
Fund	Fund Name	Agency #	Program Name			
6053	Business Services	32010	Business Services			
			Actual	Estimated	Proposed	Proposed
			FY 24	FY 25	FY 26	FY 27
Operating Revenues						
Fees and Charges						
	Charges for Service		5,752,240	5,970,779	9,746,942	9,703,744
	Sale of Documents		109,260	109,260	109,260	109,260
	Federal ID Cost Recovery		-	184,817	184,817	184,817
Other Operating Revenues						
	BOI Investment Earnings		598,618	358,340	399,322	427,434
	SOS Miscellaneous Receipts		207,058	22,241	22,241	22,241
Total Operating Revenues			6,667,176	6,645,437	10,462,582	10,447,496
Expenses						
	Personal Services		3,712,645	3,953,146	4,425,819	4,439,372
	Operating Expense		3,218,542	2,504,891	2,371,278	2,277,908
Total Operating Expense			6,931,187	6,458,037	6,797,097	6,717,280
Operating Income (Loss)			(264,011)	187,400	3,665,485	3,730,216
Nonoperating Revenues						
Nonoperating Expenses						
Total Nonoperating Revenues (Expenses)			-	-	-	-
Income (Loss) Before Contributions and Transfers			(264,011)	187,400	3,665,485	3,730,216
Transfers In						
			302,113			
Transfers Out						
			(106,840)			
Change in Net Position			(68,738)	187,400	3,665,485	3,730,216
Beginning Net Position - July 1			14,160,481	13,350,457	13,537,857	17,203,341
Prior Period Adjustments						
			(741,286)	-	-	-
Change in Net Position						
			(68,738)	187,400	3,665,485	3,730,216
Ending Net Position - June 30			13,350,457	13,537,857	17,203,341	20,933,557

Expenditures

Proposed expenditures for FY 2026 and FY 2027 show increased personal services and decreased operating expenses due to statewide present law adjustments.

Revenues

Revenue is received from the following sources:

- Fees charged to businesses and corporations for corporate filings and registration of assumed business names and trademarks
- Fees charged to state agencies for publishing the Administrative Rule of Montana and the Montana Administrative Register
- Fees charged to candidates who file for elections
- Fees charged to Montana citizens who apply to be notaries

The program collects the largest amount of revenues on the annual report filings during the annual report season.

In FY 2024 and FY 2025 the Secretary of State waived the annual report filing fee. The Secretary is currently evaluating the agency's financial position and considering additional fee reductions and waivers for the 2027 biennium.

Proprietary Rates

This program is funded with an enterprise fund, which is a type of proprietary fund. As such, the legislature does not appropriate the funds or approve the rates for the program. Instead, the legislature reviews the report for the enterprise fund and identifies concerns with the financial position of the fund.

The administrative rule that establishes fees charged to agencies for publication of the Administrative Rules of Montana and notices in the Montana Administrative Register was amended in June 2024. Beginning in FY 2026, an agency will have the option between two methods for paying filing fees.

1. Pay \$60 per page for each notice at the time of publication
2. Pay on an annual basis a fee based on the volume of notice submissions:
 - 1 to 4 notices - \$550
 - 5 to 9 notices - \$1,650
 - 10 to 15 notices - \$3,475
 - 16 to 25 notices - \$4,400
 - 26 to 35 notices - \$8,675
 - 36 or more notices - \$16,750

It should be noted that this does not increase the rate charged to agency's but rather gives the agency the choice between paying per page for each notice as they have been doing previously or to pay on an annual basis.

Present Law Adjustments

The "Present Law" Adjustments table shows the changes from the base appropriation to the proposed budget. "Statewide Present Law" adjustments (DP 1, DP 2, DP 3) are standard categories of adjustments made to all agencies. Decisions on these items were applied globally to all agencies.

The decision packages presented are for informational purposes only, offering insights into anticipated changes in expenditure that may affect the rates charged. These decision packages are not approved by the legislature. For internal service funds, the legislature approves the maximum rate that may be charged. For enterprise funds, the legislature reviews the rate and identifies any concerns.

	Fiscal 2026					Fiscal 2027				
	PB	General Fund	State Special	Federal Special	Total Funds	PB	General Fund	State Special	Federal Special	Total Funds
DP 1 - Personal Services	0.00	0	0	0	472,673	0.00	0	0	0	486,226
DP 2 - Fixed Costs	0.00	0	0	0	(133,613)	0.00	0	0	0	(226,983)
Grand Total All Present Law Adjustments	0.00	\$0	\$0	\$0	\$339,060	0.00	\$0	\$0	\$0	\$259,243

*"Total Funds" amount includes funding from sources other than General Fund, State Special, or Federal Special (i.e. Proprietary).

DP 1 - Personal Services -

The executive requests adjustments to the present law personal services budget. This request has been broken into the following categories, and further detail is shown in the agency summary:

- Legislatively approved changes
- Management decisions
- Budget modifications made to the personal services budget in the 2023 biennium

Secretary of State Business & Government Services FY 2026 Statewide Present Law Adjustment for Personal Services	
Legislative Changes	\$ 182,027
Management Changes	304,199
Total Budget Modifications	-
Total	\$ 486,226

The executive requests an increased statewide present law adjustment for personal services primarily due to management changes for increased pay changes. Legislative changes also increased due to increased benefits. It should be noted that the Secretary of State reduced its PB in the 2023 Legislative Session due to operational efficiencies.

DP 2 - Fixed Costs -

The executive requests adjustments to provide the funding required in the proposed budget to pay increases in fixed costs assessed by other agencies within state government for the services they provide. Examples include: audit fees, Capitol complex rent, information technology services, etc. The rates charged for these services are approved in the section of the budget that provides the services.