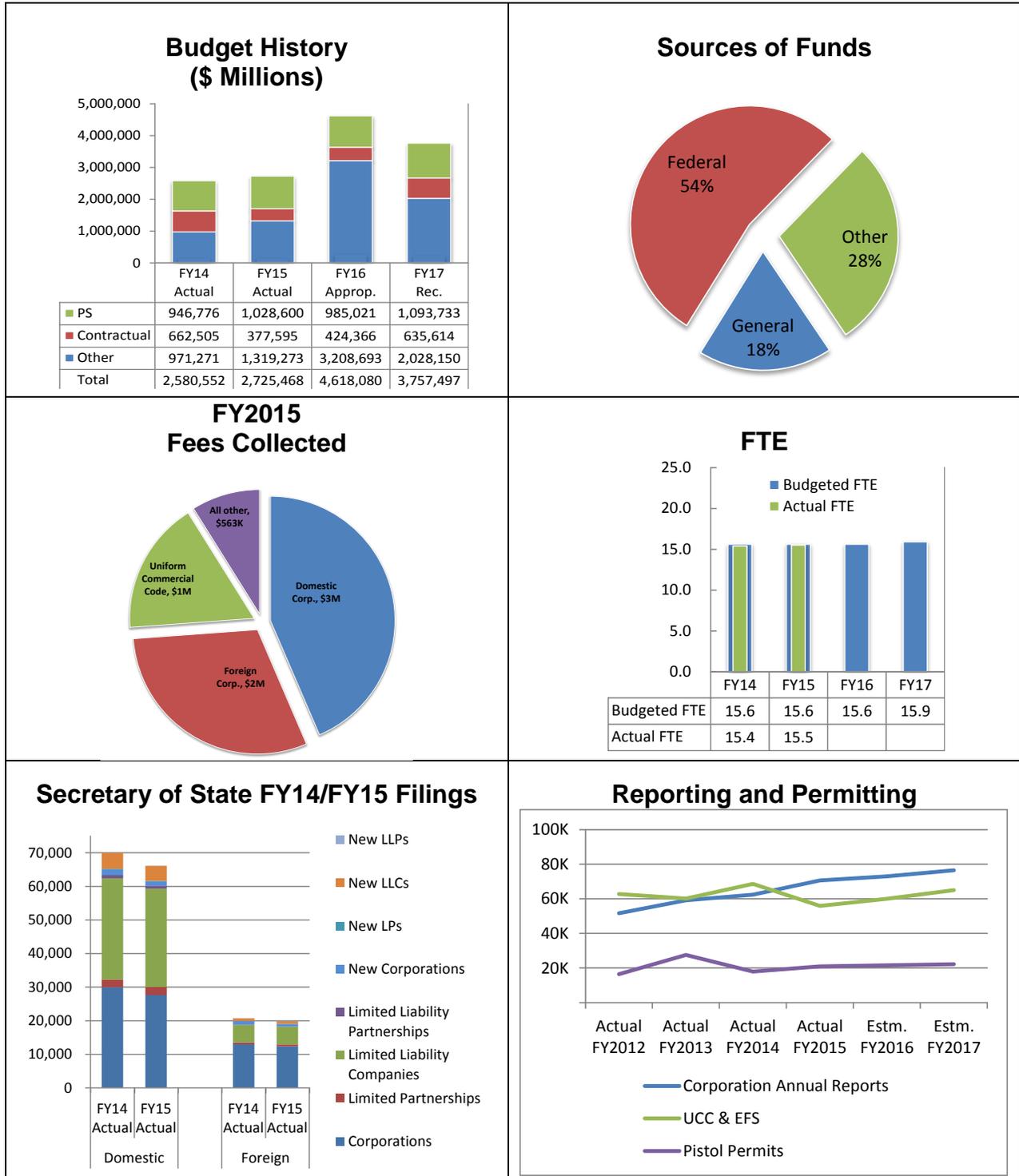


FY17 Budget Briefing

Secretary of State

Information contained in this document is based on the Governor's original recommended FY17 budget.
This document may not correspond with the final FY17 budget adopted by the Legislature.



Key Personnel

- Shantel Krebs, Secretary of State
- Teresa Bray, Deputy of Administrative Services
- Tom Dadrick, Deputy of Business Services
- Kea Warne, Deputy of Election Services

Mission of the Secretary of State

To provide leadership for the taxpayers of South Dakota in business services, elections, and administrative services through superior customer service and efficiency.

Department Total

	Actual FY2014	Actual FY2015	Budgeted FY2016	Agency Request FY2017	Gov Rec FY2017	Gov Rec Inc/Dec FY2017	% Change From FY2016
Personal Services							
Employee Salaries	714,242	792,777	740,013	851,296	840,536	100,523	13.6%
Employee Benefits	232,534	235,823	245,008	252,477	253,197	8,189	3.3%
FTE	15.4	15.5	15.6	15.9	15.9	0.3	1.9%
Funding Types							
General	687,723	750,739	711,657	517,346	518,325	(193,332)	(27.2%)
Federal	113,455	98,389	109,241	96,668	96,324	(12,917)	(11.8%)
Other	145,599	179,472	164,123	489,759	479,084	314,961	191.9%
Total PS	946,776	1,028,600	985,021	1,103,773	1,093,733	108,712	11.0%
Operating Expenses							
Travel	58,030	36,014	48,640	29,025	29,025	(19,615)	(40.3%)
Contractual Services	662,505	377,595	424,366	668,615	635,614	211,248	49.8%
Supplies & Materials	202,087	209,827	113,000	222,050	222,050	109,050	96.5%
Grants And Subsidies	135,260	645,656	2,053,400	2,053,400	1,750,000	(303,400)	(14.8%)
Capital Outlay	575,892	427,776	993,653	76,075	27,075	(966,578)	(97.3%)
Funding Types							
General	258,665	486,815	272,832	168,200	168,200	(104,632)	(38.4%)
Federal	1,229,291	959,396	3,041,009	2,215,325	1,911,925	(1,129,084)	(37.1%)
Other	145,819	250,657	319,218	665,640	583,639	264,421	82.8%
Total OE	1,633,776	1,696,868	3,633,059	3,049,165	2,663,764	(969,295)	(26.7%)
Totals							
Funding Types							
General	946,388	1,237,554	984,489	685,546	686,525	(297,964)	(30.3%)
Federal	1,342,746	1,057,785	3,150,250	2,311,993	2,008,249	(1,142,001)	(36.3%)
Other	291,418	430,129	483,341	1,155,399	1,062,723	579,382	119.9%
Total	2,580,552	2,725,468	4,618,080	4,152,938	3,757,497	(860,583)	(18.6%)

Department Object Detail

Secretary of State OBJECT DETAIL							
Item	Actual FY2014	Actual FY2015	Budgeted FY2016	Governor Rec FY2017	Inc/Dec Over FY2015	% Change Over FY2015	FY09-15 Actual Trend
PERSONAL SERVICES							
General	687,723	750,739	711,657	518,325	(193,332)	(27.2%)	
Federal	113,455	98,389	109,241	96,324	(12,917)	(11.8%)	
Other Funds	145,599	179,472	164,123	479,084	314,961	191.9%	
Total Personal Services	946,777	1,028,600	985,021	1,093,733	108,712	11.0%	
FTE	15.4	15.5	15.6	15.9	0.3	0.0	
TRAVEL							
General	11,896	13,708	19,590	13,275	(6,315)	(32.2%)	
Federal	46,040	21,329	21,850	6,315	(15,535)	(71.1%)	
Other Funds	95	977	7,200	9,435	2,235	31.0%	
Total Travel	58,031	36,014	48,640	29,025	(19,615)	(40.3%)	
CONTRACTUAL SERVICES							
General	107,111	114,909	145,165	88,225	(56,940)	(39.2%)	
Federal	459,883	145,277	107,433	149,060	41,627	38.7%	
Other Funds	95,511	117,409	171,768	398,329	226,561	131.9%	
Total Contractual Services	662,505	377,595	424,366	635,614	211,248	49.8%	
SUPPLIES AND MATERIALS							
General	85,759	132,536	73,600	58,500	(15,100)	(20.5%)	
Federal	83,138	12,120	2,650	2,750	100	3.8%	
Other Funds	33,190	65,171	36,750	160,800	124,050	337.6%	
Total Supplies and Materials	202,087	209,827	113,000	222,050	109,050	96.5%	
GRANTS AND SUBSIDIES							
General	0	0	0	0	0	0.0%	
Federal	135,260	645,656	2,053,400	1,750,000	(303,400)	(14.8%)	
Other Funds	0	0	0	0	0	0.0%	
Total Grants and Subsidies	135,260	645,656	2,053,400	1,750,000	(303,400)	(14.8%)	
CAPITAL OUTLAY							
General	53,899	225,662	34,477	8,200	(26,277)	(76.2%)	
Federal	504,970	135,014	855,676	3,800	(851,876)	(99.6%)	
Other Funds	17,023	67,100	103,500	15,075	(88,425)	(85.4%)	
Total Capital Outlay	575,892	427,776	993,653	27,075	(966,578)	(97.3%)	
TOTAL							
General	946,388	1,237,554	984,489	686,525	(297,964)	(30.3%)	
Federal	1,342,746	1,057,785	3,150,250	2,008,249	(1,142,001)	(36.3%)	
Other Funds	291,418	430,129	483,341	1,062,723	579,382	119.9%	
Total All Funds	2,580,552	2,725,468	4,618,080	3,757,497	(860,583)	(18.6%)	

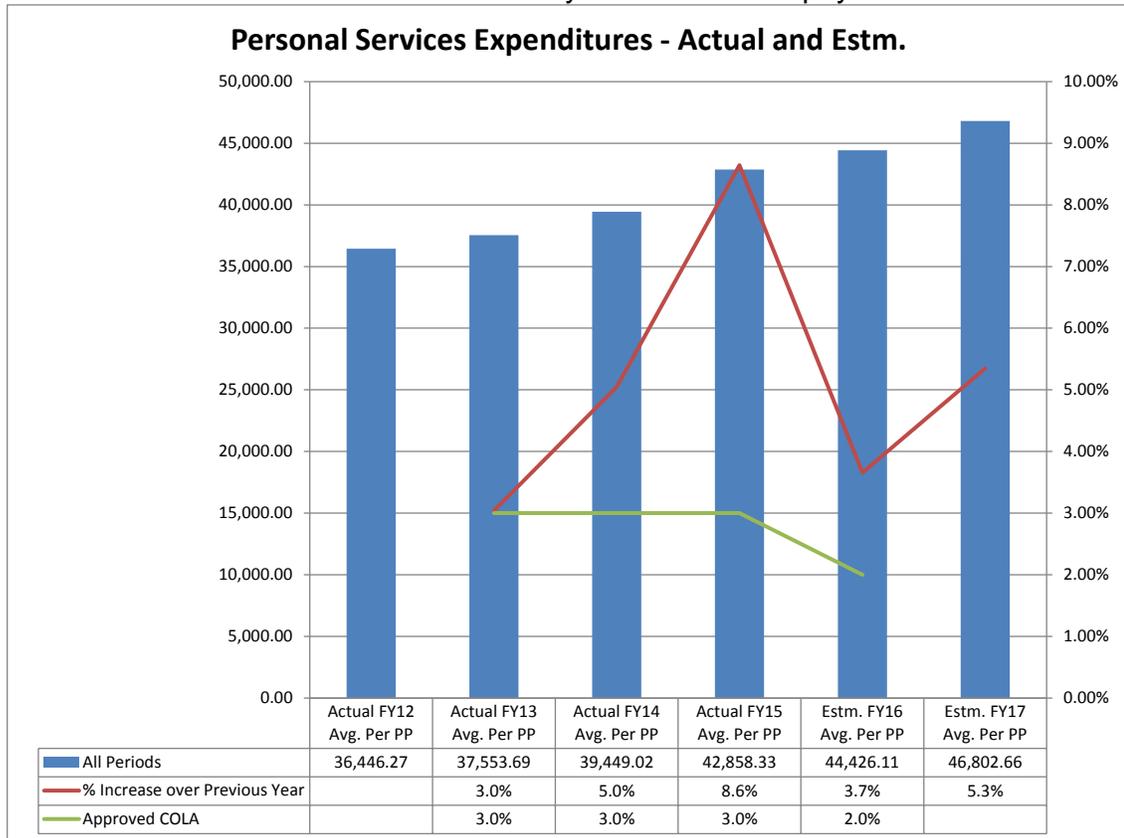
Major Expansions and Reductions

Governor's Recommendation						
		General Funds	Federal Funds	Other Funds	TOTAL Funds	FTE
A.	Business Services moved from GF to OF fees	(206,249)	-	206,249	-	
B.	Personal Services Increase to meet Current Levels	-	-	95,570	95,570	
C.	Shift non-eligible HAVA expenses to General	12,917	(12,917)		-	
D.	Part-time FTE for redaction			13,142	13,142	0.3
E.	Adjustments to reflect actual expenditures	(84,005)	(92,288)	(58,823)	(235,116)	
	Travel	(6,315)	(15,535)	2,235	(19,615)	
	Contractual	(60,940)	(66,653)	26,392	(101,201)	
	Supplies	(8,050)	(100)	10,050	1,900	
	Capital Outlay	(8,700)	(10,000)	(97,500)	(116,200)	
F.	Computer Software Maint.	4,000	107,780	80,169	191,949	
G.	Credit Card Processing Fees	-	500	120,000	120,500	
H.	Printing	12,300	200	44,000	56,500	
I.	Postage	(19,350)	-	70,000	50,650	
J.	Telephone Equipment	2,600	570	6,875	10,045	
K.	Computers	(20,177)	(842,446)	2,200	(860,423)	
L.	Reduce Federal Authority		(303,400)		(303,400)	
	Total	(297,964)	(1,142,001)	579,382	(860,583)	0.3

Budget Notes

- A. Restructuring **other fund fees** in the Business Services Division – legislation will be introduced to fund this division and reduce the reliance on the general fund.
- a. Fee Split - 85% to the general fund and 15% to the other fund. This 15% split enables the Business Service Division to operate on the fees retained and will hold the general fund harmless.
 - b. Restore \$50 Late Filing Fee for Annual Reports that was eliminated in 2009 (potential \$200,000).
 - c. Implement New Convenience Fee for paper filings and possibly for credit card transactions (potential \$300,000).

B. Personal Services increase is necessary to meet current payroll level.



C. HAVA Expenses – The Governor is recommending a shift from federal to general funds for ineligible expenses that had been charged to the *Help Americans Vote Act*.

Examples of ineligible expenses: are voter registration list maintenance (printing and postage expense) and ballot question information pamphlets which are required by state statute to inform voters regarding ballot questions (printing expense).

D. Part-Time Position – The increase of .3 FTE and \$13,142 in other funds, is for part-time personnel to cover the growth in the number of annual reports and redaction of personal identifiable information from corporate documents as well as processing administrative dissolutions. Without this FTE, the 350,000 remaining un-redacted corporate documents that are public record, will not be available online for the public. The additional FTE is also necessary to remain statutorily compliant in filing the increasing number of business annual reports.

E. Increases “to accurately reflect expenditures” – Throughout the Secretary of State’s Budget, she requests increases and decreases to accurately reflecting current levels of spending. The net effect of these adjustments is a decrease in general funds of \$84,005, a decrease in federal funds of \$92,288, and a decrease in other funds of \$58,823, for a total decrease of \$235,116.

F. Computer Software Maintenance

General Funds

- a. Campaign finance reporting software program includes maintenance costs of \$12,000 and cloud storage costs of \$2,000, for a total of \$14,000 or a \$4,000 increase to general funds;

Federal Funds

- b. *Total Vote* voter registration program includes maintenance costs of \$59,780 and cloud storage costs of \$18,000.
- c. Military voting software program includes maintenance costs of \$50,000 every two years.
- d. Voter Registration Mobile 605 software has maintenance costs of \$20,000 every two years.
- e. Costs total \$127,780 or a \$107,780 increase to federal funds.

Other Funds

- f. Tecuity system maintenance cost will be \$100,000, which is an \$80,169 increase to other funds.

- G. **Credit Card Processing Fees** – The Governor recommended increased funding based on the number of credit card transactions anticipated from the new online 24-hour business filing process. Credit card processing fees are 1.9% - 2.5% of the total transaction. For CY 2015 the SOS processed 64,635 online transactions. The office is anticipating 70% of all business transactions will be filed online when the next phase of the Business Services system goes live in FY 2017. This would be an estimated 125% increase, or approximately 145,500 transactions.
- H. **Printing Budget Adjustments** – Includes increases for the odd year printing of the voter registration list maintenance and general election ballot question explanation pamphlet as required by federal and state law. Funding is also included to print the Legislative Manual (Blue Book) required in each odd-numbered year as per SDCL 2-7-1.
- I. **Postage Increase** – Increase is for an anticipated inflationary increase of \$.02 in postage fees. The required mailings include the state and federal voter registration list maintenance and general election ballot question explanation pamphlet. The SOS also expects volume increases in a variety of mailings throughout the office.
- J. **Telephone Equipment** – The Governor is recommending funding for the Office to replace the current analog telephone system with a digital telephone system.
- K. **Computers** – A reduction in budget for computer systems, software development, and computer hardware will align the budget with anticipated expenses.
- L. **Reduce Federal Authority** – The Governor recommends a reduction in federal fund authority of \$303,400 associated with the Help America Vote Act funds. The remaining amount of \$1.75M will be available for any possible grants to counties.

Governor's Proposed Pools for Salary Policy and Bureau Billings

For FY17, the Governor recommended the funding for the state employee compensation plan and bureau billings be placed in a pool in BFM to be distributed to each agency. *Therefore, individual agency personal services and contractual services budgets do not reflect budget increases for the compensation plan, bureau billings, or the decrease for health insurance.*

- Below are the estimated distributions for employee compensation for FY17. BFM will distribute dollars from the Pool after calculating the increase for salary policy and the decrease for employee health insurance. The distributed amount to the agency will be in addition to the agency's appropriated personal services budget.

FY17 Salary Policy Component	Object	General	Federal	Other	Total
Health Insurance	PS	(1,955)	(363)	(1,807)	(4,125)
Market Adjustment	PS	12,450	2,273	11,092	25,815
Movement Towards Market Value	PS	-	-	-	-
Health Insurance	OE	(162)	(68)	(71)	(301)
Market Adjustment	OE	853	372	452	1,677
Movement Towards Market Value	OE	860	403	726	1,989
	Total	12,046	2,617	10,392	25,055

- Recommended FY17 - 2.7% market adjustment for all permanent employees (except Career Bands); 0%-2.7% market adjustments for Career Bands; 2.5% movement toward market value for General Pay Structure and PACE; 0% to 4.5% pay for performance for Career Bands; decrease of \$275 per benefitted employee for the employer-paid portion of the health insurance plan.
- Recommended FY16 – 2% market adjustment for all permanent employees (except Career Bands); 0%-6.6% market adjustments for Career Bands; 2.5% movement toward market value for General Pay Structure and PACE; 0% to 4.5% pay for performance for Career Bands; 0% health insurance.
- FY15 – 3% across-the-board/market adjustment for all permanent employees (including Career Bands); 3% adjustment toward job worth for PACE; 0%-4.5% pay for performance for Career Bands; targeted compensation adjustments for a small number of hard-to-fill, below market vocational jobs; 18.6% health insurance.
- FY14 – 3% across-the-board for all permanent employees (except Career Bands); 3.5% to 4% market adjustment for Career Bands; 3.5% adjustment toward job worth for PACE; 0%-4.5% pay for performance for Career Bands; 14.7% health insurance.

Below are the estimated increases to the bureau billings for FY17. The amount distributed from the BFM pool to the agency will be in addition to the agency's appropriated contractual services budget.

Estimated FY17	General	Federal	Other	Total
Bureau Billing Adjustments	216	81	86	383

Other Fund Balances

Company and Fund Name	Blue Book Page	Ending Cash and Investment Balance June 30			60-Month Average Cash Balance	Lowest Monthly Cash Balance in Past Five Years	
		FY2013	FY2014	FY2015		Amount	Month
Company 3013 - Financing Statement and Annual Report Filing Fee Fund	305	15,397	23,945	24,799	46,421	(4,071)	July 2013

Interagency Billings

Below are the sources of funds the Secretary of State used to pay for services provided by central governmental bureaus in FY15.

Bureau Name	General	Federal	Other	Total
Bureau of Finance and Management	-	2,613	2,669	5,282
Bureau of Administration	96,500	29,043	69,131	194,674
Bureau of Information and Telecommunication	50,816	26,362	34,458	111,636
Bureau of Human Resources	99	-	-	99
Total FY15 Interagency Payments	147,415	58,018	106,258	311,692

Revenues

	FY 2014	FY 2015	FY 2016	FY 2017
	Actual	Actual	Estimated	Estimated
Notaries Public	86,790	99,432	92,530	105,030
Voter Registration Lists	44,173	49,310	50,000	50,000
Pistol Permits	118,866	171,844	150,569	150,569
Domestic Corporations	2,597,626	3,391,840	3,084,575	3,177,112
Foreign Corporations	1,806,226	2,129,893	2,027,101	2,087,914
Business Name Registration (online only)	25,950	33,730	26,853	26,853
Trademark Registrations	53,624	59,857	58,272	58,272
Uniform Commercial Code	1,029,962	996,628	991,808	1,111,008
Expedited / Photocopy Fees	152,406	154,280	153,787	683,840
Miscellaneous	38,735	33,939	36,894	98,394
Total	5,954,358	7,120,753	6,672,389	7,548,992

Statistics

	FY 2014	FY 2015	FY 2016	FY 2017
	Actual	Actual	Estimated	Estimated
<u>DOMESTIC/FOREIGN:</u>				
Corporations on File	29,981/13,017	27,679/12,350	28,450/12,100	29,300/12,300
Limited Partnerships in File	2,276/542	2,329/561	2,380/570	2,440/580
Limited Liability Companies in File	30,113/5,206	29,269/5,299	29,690/5,250	30,200/5,300
Limited Liability Partnerships in File	998/107	918/97	935/100	950/105
New Corporations	1,707/1,022	1,307/740	1,400/870	1,500/925
New Limited Partnerships	132/34	89/32	65/30	65/30
New Limited Liability Companies	4,812/793	4,519/734	4,500/725	4,600/750
New Limited Liability Partnerships	64/11	64/7	65/10	65/10
Corporations Annual Reports	62,382	70,555	73,000	76,500
Dakota Fast File Registrants	653	725	760	810
UCC & EFS	68,624	55,889	60,000	65,000
Trademark Registration	427	413	425	450
Pistol Permits	17,964	20,902	21,529	22,175
Notary Commissions	3,384	3,496	3,200	3,400
Voter Registration List	41	56	41	56
PAC and Ballot Question Finance Report	309	349	370	325
Candidate Campaign Finance Report	782	866	650	600
Statewide Initiative and Referendum Petitions	2	2	19	2