



**State of Minnesota
Department of Finance**

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January 25, 2005

The Minnesota Legislature
State Capitol
St. Paul, Minnesota

Dear Legislators,

I respectfully submit for your consideration the Governor's FY 2006-07 budget proposal for the Secretary of State. The Governor respects the separation of powers and the desire of constitutional officers and officials in the judicial and legislative branches to independently present their budget requests directly to the legislature without specific recommendations from the Governor. However, since the Governor is required by law to submit a balanced budget to the legislature, it is necessary to identify funding for those offices as part of preparing a complete budget.

For the State Auditor, the Governor's recommendation is \$11.905 million in General Fund appropriations for the FY 2006-07 biennium. This budget recommendation reflects a biennial reduction of \$75,000, which is a 2.5% reduction from a portion of the agency's budget and is consistent with the recommendations for other constitutional officers and the legislature. This reduction is intended to affect non-revenue producing areas of the agency's budget.

Sincerely,

A handwritten signature in cursive script that reads "Peggy S. Ingison".

Peggy Ingison
Commissioner

Dollars in Thousands

	Current		Governor Recomm.		Biennium
	FY2004	FY2005	FY2006	FY2007	2006-07
<u>Direct Appropriations by Fund</u>					
General					
Current Appropriation	5,912	6,169	6,169	6,169	12,338
Recommended	5,912	6,169	5,867	6,038	11,905
Change		0	(302)	(131)	(433)
% Biennial Change from 2004-05					-1.5%
 <u>Expenditures by Fund</u>					
Direct Appropriations					
General	4,959	7,234	5,867	6,038	11,905
Statutory Appropriations					
General	2	2	1	1	2
Special Revenue	4,299	4,168	936	941	1,877
Miscellaneous Agency	0	2	1	1	2
Total	9,260	11,406	6,805	6,981	13,786
 <u>Expenditures by Category</u>					
Total Compensation	5,115	5,281	4,570	4,769	9,339
Other Operating Expenses	4,145	6,125	2,235	2,212	4,447
Total	9,260	11,406	6,805	6,981	13,786
 <u>Expenditures by Program</u>					
Secretary Of State	9,260	11,406	6,805	6,981	13,786
Total	9,260	11,406	6,805	6,981	13,786
 Full-Time Equivalent (FTE)	 80.7	 78.6	 63.4	 63.4	

<i>Dollars in Thousands</i>				
	FY2005	Governor's Recomm.		Biennium
		FY2006	FY2007	2006-07
Fund: GENERAL				
FY 2005 Appropriations	6,169	6,169	6,169	12,338
Technical Adjustments				
Biennial Appropriations		(173)	(1)	(174)
One-time Appropriations		(137)	(137)	(274)
Transfers Between Agencies		45	45	90
Subtotal - Forecast Base	6,169	5,904	6,076	11,980
Change Items				
Recommended 2.5% Base Reduction	0	(37)	(38)	(75)
Total Governor's Recommendations	6,169	5,867	6,038	11,905
Fund: GENERAL				
Planned Statutory Spending	2	1	1	2
Total Governor's Recommendations	2	1	1	2
Fund: SPECIAL REVENUE				
Planned Statutory Spending	4,168	936	941	1,877
Total Governor's Recommendations	4,168	936	941	1,877
Fund: MISCELLANEOUS AGENCY				
Planned Statutory Spending	2	1	1	2
Total Governor's Recommendations	2	1	1	2

SECRETARY OF STATE**Change Item: Recommended 2.5% Base Reduction**

Fiscal Impact (\$000s)	FY 2006	FY 2007	FY 2008	FY 2009
General Fund				
Expenditures	(\$37)	(\$38)	(\$37)	(\$38)
Revenues	0	0	0	0
Other Fund				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Net Fiscal Impact	(\$37)	(\$38)	(\$37)	(\$38)

Recommendation

The Governor recommends a direct General Fund appropriation of \$5.867 million in FY 2006 and \$6.038 million in FY 2007, a biennial reduction of \$75,000.

Background

The Governor respects the separation of powers and the desire of constitutional officers and officials in the judicial and legislative branches to independently present their budget requests directly to the legislature without specific recommendations from the governor. However, since the governor is required by law to submit a balanced budget to the legislature, it is necessary to identify funding for those offices as part of preparing a complete balanced budget.

As with the executive branch, the governor suggests that these offices and institutions redesign their operations to increase efficiencies while minimizing the disruption to public services. They should also consider collaboration with other agencies to consolidate operations, co-locate facilities, or otherwise cooperate to share services in order to reduce costs.

Relationship to Base Budget

The Governor's recommendation reflects a biennial reduction of \$75,000, which is a 2.5% reduction from a portion of the agency's forecast budget and is consistent with the recommendations for other constitutional officers and the legislature. This reduction is intended to affect non-revenue producing areas of the agency's budget.



MINNESOTA SECRETARY OF STATE OFFICE

Mary Kiffmeyer, Secretary of State

January 11, 2005

To the 2005 Legislature:

Budget Request:

I am pleased to submit the Secretary of State's budget request for the FY 2006-07 budget. This budget includes a total of \$12.4 million in expenditures from the state's General Fund. The recommended funding level of \$12.4 represents a 1.5% increase from the FY 2004-05 projected spending of \$12.2 from the General Fund. The office also has a revolving fund of approximately \$900,000 each fiscal year. This increase in the budget request results from 2 change items from the General Fund as well as the assumption of a function from another state agency under 2004 legislation.

With this budget request, we will be able to maintain our commitment to delivering quality services to the general public, the business community, local government and other state agencies.

Constitutional Office:

The secretary of state is an independently elected constitutional officer who serves the people of Minnesota by administering fair and honest elections; promoting citizen participation in government; facilitating commerce by recording business documents regarding entities and financing statements for business loans; and preserving for history the records of the state entrusted to the office.

Revenue Production

The Office of the Secretary of State (OSS) is a revenue-producing agency and a net contributor to the General Fund, unlike the other constitutional offices and most other agencies:

- Contributing approx. \$13 million to the General Fund annually; and
- Receiving a general fund appropriation of only \$6 million annually.

The contribution to the general fund by this office increased by almost \$4 million during the current biennium alone.

Business Activity

Business activity in the general economy is increasing, and therefore the volume of transactions completed by the office for the general public and the business community has also been increasing in recent years. In the current biennium, we estimate well over 70 million Web hits and 1.1 million business transactions handled by Secretary of State staff and systems.

Online Functions

In this biennium, the office has successfully implemented major online functions. Online UCC filings now exceed mail filings with the office, and those numbers are growing. Over 138,000 online annual registrations were filed in 2004 alone. We have implemented remote payment options that make it possible for the general public to complete filings without any physical presence or document whatsoever, and continue to expand these options

and services. Another benefit to these online functions is that the information filed is placed on record immediately, bypassing the delays associated with handling paper.

We are similarly looking at automating the process of retrieving information from the OSS business systems, to provide complete remote access to members of the general public from Ada to Zumbrota.

Elections

Our elections function supports approximately 5,000 elections each biennium, and those elections occur almost continuously, not simply in September and November of the even-numbered year.

In the last biennium, the office received a 15% reduction. Under Federal law, elections expenditures may not be reduced below the base level of FY 2000, and thus virtually all of this reduction was taken from the business services side of the budget, resulting in an approximately 22% reduction for that function, which produces virtually all of the revenues for the office. In light of the federal law restrictions, I ask that no further reduction be made to the budget of the office.

Change Items

Therefore, the office is requesting two change items relating to the elections function. The first change item is to pay for part of the implementation of the Social Security Number verification of new mailed-in registrations required by Federal law under the Help America Vote Act, and consists of the fees to be paid to the American Association of Motor Vehicle Administrators for programming and maintenance of the interface between the Department of Public Safety, Driver and Vehicle Services unit and the Social Security Administration required under section 301 of HAVA. An initial fee and an ongoing fee are to be paid to that Association for those costs, which are permanent.

The second change item is for maintaining service of the Statewide Voter Registration System to city and township clerks as mandated in state law passed last session, see Minnesota Statutes, section 201.022, clauses (9) and (11). There are continuing staffing costs for implementation of this new function, which will add up to 2000 new municipal jurisdictions, some with multiple staff member users, to the 87 county auditors with over 200 county staff already using the SVRS system. This is a major increase in terms of setup, help desk assistance and similar functions within the SVRS system.

I ask that you fund the Office of the Minnesota Secretary of State to the degree necessary to fulfill its missions, which are of core importance to Minnesota citizens, businesses and governments.

Sincerely,



Mary Kiffmeyer
Secretary of State

SECRETARY OF STATE**Agency Change Item: Funding to Cover AAMVA and SSA Fees**

Fiscal Impact (\$000s)	FY 2006	FY 2007	FY 2008	FY 2009
General Fund				
Expenditures	\$36	\$7	\$7	\$7
Revenues	0	0	0	0
Other Fund				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Net Fiscal Impact	\$36	\$7	\$7	\$7

Recommendation

The Office of the Secretary of State is requesting \$36,000 in FY2006 to cover fees set by the American Association of Motor Vehicle Administrators (AAMVA) and the Social Security Administration (SSA) for data verification required by Federal Law. There is \$7,000 requested each year for ongoing costs.

The Office of the Secretary of State recommends to the Legislature that those fees for the purpose of voter registration verification be appropriated from the General Fund.

Background

Under the Help America Vote Act of 2002 (HAVA), the American Association of Motor Vehicle Administrators (AAMVA) and the Social Security Administration (SSA) developed a new transaction set for use by the State Motor Vehicle Administration's (MVA) and election agencies to support the registration process of new voters. HAVA Sec. 303 (a) (5)(B)(ii) and (C)

This process allows election agencies to collect the name, date of birth and last four digits of the social security number. The transaction checks these data elements against the SSA database, and provides a response indicating whether the information verifies.

The fees set by the AAMVA are based on the following costs:

- ◆ Voter Registration Information Verification System development;
- ◆ Testing and implementation;
- ◆ Information Verification Search Transactions; and
- ◆ Ongoing maintenance/administration.

Based on the information we have so far, the spreadsheet shows the estimated fees for four years running. The first year would be FY 2006.

The SSA fees may be slightly higher, since when calculating the fee percentages, one state (ND) was inadvertently excluded.

Also, SSA may include a separate transaction fee, but no pricing information has been given.

SSA AND AAMVA Costs for HAVA Interface (SSN – last 4 digits)						
Item Description	Unit	1st Year	2nd Year	3rd Year	4th Year	Totals
AAMVA Start Up Fee	One time fee/\$5000	\$5,000	0	0	0	5,000
AAMVA Maintenance Fee	Per Quarter/ \$1000	4,000	4,000	4,000	4,000	16,000
SSA Start Up Fee	On time fee/\$24,076	24,212	0	0	0	24,212
SSA Transaction Fee *	Per trans/Per Quarter	0	0	0	0	0
SSA Maintenance Fee **	Per Quarter/\$2,710 yr	2,725	2,725	2,725	2,725	10,900
Grand Totals		\$35,937	\$6,725	\$6,725	\$6,725	\$56,112

**SSA has not provided any cost information on a per transaction fee.*

Relationship to Base Budget

The effect of this change item would be an increase to our General Fund appropriation in FY 2006 in the amount of \$36,000 and increase to our base budget of \$7,000 per fiscal year after that for the AAMVA Maintenance Fee & SSA Maintenance Fee.

Key Measures

The success of this change item will be measured by the ability of the office to verify information provided by a new voter.

Alternatives Considered

A manual check process of the last 4-digits of a voter's SSA would need to be developed.

Statutory Change: HAVA Sec 303 (a)(5)(B)(ii)

SECRETARY OF STATE

Agency Change Item: Implementation of SVRS Statewide

Fiscal Impact (\$000s)	FY 2006	FY 2007	FY 2008	FY 2009
General Fund				
Expenditures	\$220	\$220	\$220	\$220
Revenues	0	0	0	0
Other Fund				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Net Fiscal Impact	\$220	\$220	\$220	\$220

Recommendation

The Office of the Secretary of State is requesting \$220,000 in each year to cover ongoing funding for four positions that will handle customer support to local jurisdictions using the Statewide Voter Registration System (SVRS) as required pursuant to section 201.022, clauses (9) and (11). There is \$220,000 requested each year to cover ongoing costs for the positions.

The Office of the Secretary of State recommends to the Legislature that the funding for the positions be appropriated from the General Fund.

Background

The following positions will be needed to assist Minnesota cities, township and school district election officials with training and on-going usage of the SVRS.

Two Help Desk Specialists to answer calls and requests relating to the SVRS system that arise at the statewide, city, township and school district levels - \$50,000 each.

Two State Programmer Admin Intermediates to handle election-related issues that arise at the city, township and school district levels - \$60,000 each.

Relationship to Base Budget

The effect of this change item would be an increase to our general fund appropriation in FY 2006 and FY 2007 in the amount of \$220,000 in each year and an increase to our base budget of \$220,000 per year on an ongoing basis.

Key Measures

The success of this change item will be measured by the ability of the office to provide:

- ◆ access to SVRS to local jurisdictions;
- ◆ technical support and elections customer support to local jurisdictions; and
- ◆ that local jurisdictions have a stable environment and the ability to use the system to its fullest advantage.

Alternatives Considered

This expense cannot be absorbed within the existing budget of the Secretary of State; the service is mandated by law.

Statutory Change: SVRS access by local jurisdictions is required by M.S., Sect. 201.022, clauses (9) and (11).

Agency Purpose

The Office of the Secretary of State serves the people of Minnesota by administering fair and honest elections; promoting citizen participation in government; facilitating commerce; and preserving for history the records entrusted to the office.

Core Functions

The core functions of the office are:

- ◆ the administration of elections;
- ◆ the recording of business documents regarding entities and financing statements for business loans;
- ◆ and the filing and preservation of the official documents of the state.

Operations

The Secretary of State, is the keeper of the great seal of the state of Minnesota and files and certifies the authenticity of a wide variety of official documents. These include gubernatorial proclamations, appointments and executive orders, the enrolled acts of the Minnesota Legislature, rules, and some municipal documents. The secretary also maintains a computerized version of the original land survey notes from the 1800s and township plat maps.

The **Business Services Division** registers a variety of business organizations including corporations, assumed business names, banks, insurance companies, limited liability companies, limited liability partnerships, and limited partnerships. Other business-related filings include trade and service marks, auctioneer's licenses, legal newspaper registrations, among others. The secretary also accepts service of process on businesses under certain specific circumstances.

Uniform Commercial Code Division maintains a statewide-computerized network with county recorders so that the public may search Uniform Commercial Code records throughout the state from any filing office.

The **Elections Division** is responsible for administration of the Minnesota election law. In this capacity, the Secretary of State operates the statewide voter registration system and prepares the official roster of voters for every election conducted in Minnesota. Other election activities include certifying voting systems, conducting administrative recounts, accepting filings by candidates for multi-county offices, and training local election officials. The Secretary of State chairs the state canvassing board, which certifies the results of state elections.

Finally, the Secretary of State administers the **Open Appointments** process and publishes the *Minnesota Legislative Manual*, a compendium of federal, state, and county government information.

Budget

During the FY 2004-05 budgeting biennium, the Secretary of State projects (as of 9/3/04) collecting approximately \$24.4 million in fees and charges. The office has a revolving fund of approximately \$900,000 each fiscal year. The remainder of fees generated is deposited into the state General Fund. The legislature has appropriated \$11.9 million from this fund back to the Secretary of State to cover the office's biennial operating budget. There are 74 staff persons in the office, as of August 2004.

In 2003, the legislature appropriated \$6.5 million in federal funds from the Help America Vote Act (HAVA) account to the Secretary of State to carry out activities necessary under HAVA (P.L. 107-252). This federal law sets national standards and imposes new requirements for the conduct of federal elections that are to be implemented between now and 12-31-05. Federal funding for the implementation of those standards and requirements is also provided.

At A Glance

- ◆ Total business filings in databases: 1,900,000
- ◆ Registered voters in databases: 2,876,891
- ◆ Web inquiries and transactions: 36,091,546 (2003)
- ◆ Official documents filed: 4,916
- ◆ Open appointments administered: 2,132 members of 226 state agencies
- ◆ General elections support:
 - ⇒ 1,800 township elections every year
 - ⇒ 856 city elections on a two-year cycle
 - ⇒ 343 school district elections on a two-year cycle
 - ⇒ 87 state and county elections on a two-year cycle
 - ⇒ 200 other elections on a two-year cycle

Contact

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100 Rev. Dr. Martin Luther King Jr. Boulevard
St. Paul, Minnesota 55155

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MN Relay Service; TTY: (800) 627-3529

Mary Kiffmeyer, Secretary of State
Phone: (651) 296-2803
Fax: (651) 297-7067

Dollars in Thousands

	Current		Governor Recomm.		Biennium 2006-07
	FY2004	FY2005	FY2006	FY2007	
<u>Direct Appropriations by Fund</u>					
General					
Current Appropriation	5,912	6,169	6,169	6,169	12,338
Recommended	5,912	6,169	5,867	6,038	11,905
Change		0	(302)	(131)	(433)
% Biennial Change from 2004-05					-1.5%
<u>Expenditures by Fund</u>					
Direct Appropriations					
General	4,959	7,234	5,867	6,038	11,905
Statutory Appropriations					
General	2	2	1	1	2
Special Revenue	4,299	4,168	936	941	1,877
Miscellaneous Agency	0	2	1	1	2
Total	9,260	11,406	6,805	6,981	13,786
<u>Expenditures by Category</u>					
Total Compensation	5,115	5,281	4,570	4,769	9,339
Other Operating Expenses	4,145	6,125	2,235	2,212	4,447
Total	9,260	11,406	6,805	6,981	13,786
<u>Expenditures by Program</u>					
Secretary Of State	9,260	11,406	6,805	6,981	13,786
Total	9,260	11,406	6,805	6,981	13,786
Full-Time Equivalent (FTE)	80.7	78.6	63.4	63.4	

Program Description

The Office of the Secretary of State serves the people of Minnesota by administering fair and honest elections; promoting citizen participation in government; facilitating commerce; and preserving for history the records entrusted to the office.

Population Served

The Office of the Secretary of State serves the people of Minnesota including the general public, businesses, lenders, law firms, 87 county auditors, and 87 county recorders.

Services Provided

The Secretary of State has several primary activities including administering Minnesota election laws. In this capacity, the Secretary of State operates the statewide voter registration system and prepares the official roster of voters for every election conducted in Minnesota.

<u>Program at a Glance</u>	
◆	Total business filings in database: 1,900,000
◆	Registered voters in database: 2,876,891
◆	Customer transactions each year: 575,665
◆	Web inquiries and transactions: 36,091,546 (2003)
◆	General elections support:
⇒	1,800 township elections every year
⇒	856 city elections on a two-year cycle
⇒	87 state and county elections on a two-year cycle
⇒	200 other elections on a two-year cycle

Other primary activities of the Secretary of State are to register a variety of business organizations including limited liability companies, limited liability partnerships, corporations, and assumed names; and to file financing statements and maintain a statewide-computerized network with county recorders so that the public may search Uniform Commercial Code records throughout the state from any filing office.

The Secretary of State's office responds to 182,000 telephone calls each year pertaining to business-related questions and to election-related questions such as eligibility, where to vote, and election results. The Secretary of State's office offers for sale to the general public lists of businesses and other information from its databases, and access via the web to its databases for businesses and Uniform Commercial Code filing information.

Key Measures

1. Voter Registration

Goal: Increase in number of registered voters

Measurement: Number of citizens registered to vote as entered in VEMS (voter and election management system)

June 1999	June 2000	June 2001	June 2002	June 2003	June 2004
2,740,026	2,747,459	2,859,906	2,861,489	2,911,000	2,916,000

2. Facilitate Commerce

Goal: Consistent, timely transaction processing (of filings received by mail)

Measurement: Average number of business days from receipt of business filing to entry into database.

	FY 1999	FY 2000	FY 2001	FY 2002	FY 2003	FY 2004
Bus filings	3 days	3 days	5 days	3 days	2 days	1 day
UCC filings	2 days	2 days	2 days	2 days	1.5 days	1.5 days

3. Access to Information and Services

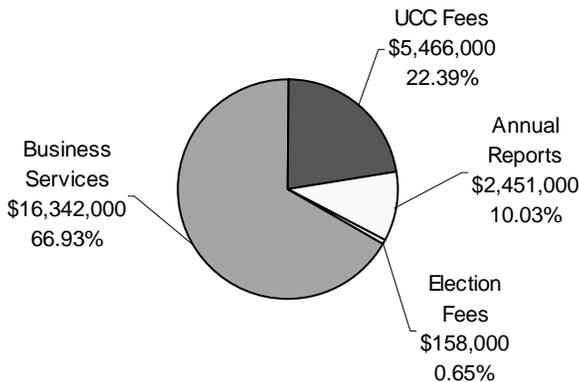
Goal: Increase in the availability of information and services via the web
 Measurement: Number of Direct Access client accounts, served via online filing

	FY 1999	FY 2000	FY 2001	FY 2002	FY 2003	FY 2004
Number of website hits	N/A info not available	N/A info not available	19,000,533 (est.)	23,606,878	28,000,000	33,000,000
No. of Direct Access Accounts	453 old system via telephone	450 old system via telephone	482 old system via telephone	956	1,200	1,350
No. of Business Services web searches by name	N/A	N/A	N/A	9,830	14,000	19,000
No. of UCC searches by name	N/A	N/A	N/A	75,512	90,000	105,000
No. of database look-ups by filing number	N/A	N/A	N/A	39,175	50,000	60,000
No. of UCC web filings	0	0	0	0	10,000	30,000

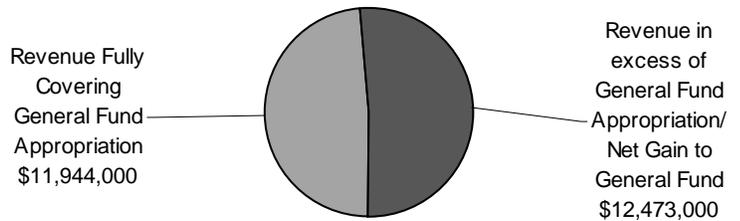
Program Funding

This agency is funded primarily through direct General Fund appropriations.

FY 2004-05 General Fund Fee Revenue Sources
 Estimated Total Revenue: \$24.4



2004-05 General Fund Fee Revenue Destination
 Estimated Total Revenue \$24.4



Contact

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SECRETARY OF STATE
 Program: SECRETARY OF STATE

Program Summary

<i>Dollars in Thousands</i>					
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	FY2004	FY2005	FY2006	FY2007	2006-07
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Total	9,260	11,406	6,805	6,981	13,786
<u>Expenditures by Activity</u>					
Administration	1,514	1,623	1,316	1,421	2,737
Operations	2,744	5,189	3,752	3,744	7,496
Elections	5,002	4,594	1,737	1,816	3,553
Total	9,260	11,406	6,805	6,981	13,786
Full-Time Equivalents (FTE)	80.7	78.6	63.4	63.4	

Dollars in Thousands

	Actual FY2004	Budgeted FY2005	Governor's Recomm.		Biennium 2006-07
			FY2006	FY2007	
<u>Non Dedicated Revenue:</u>					
Departmental Earnings:					
General	12,137	12,270	12,776	12,990	25,766
Other Revenues:					
General	2	3	3	3	6
Other Sources:					
General	0	1	1	1	2
Taxes:					
General	1	2	2	2	4
Total Non-Dedicated Receipts	12,140	12,276	12,782	12,996	25,778
<u>Dedicated Receipts:</u>					
Departmental Earnings:					
General	1	1	1	1	2
Special Revenue	942	931	936	941	1,877
Miscellaneous Agency	0	1	1	1	2
Grants:					
Special Revenue	0	39,179	0	0	0
Other Revenues:					
Special Revenue	48	565	660	660	1,320
Total Dedicated Receipts	991	40,677	1,598	1,603	3,201
Agency Total Revenue	13,131	52,953	14,380	14,599	28,979