



Budget Briefing: Department of State

Michael Crossen, Fiscal Analyst

January 2020

Briefing Topics

- Funding Sources
- Appropriations Areas
- Major Budget Topics

Department of State

- The department implements policies of the Secretary of State, an elected official who serves a four-year term of office.
- The department administers programs in four major areas:
 - **Motor vehicle transactions:** Drivers' licenses, titles and registrations for motor vehicles, watercraft, and recreational vehicles
 - **Traffic safety:** Driving tests, license suspensions and revocations
 - **Consumer protection:** Inspection, investigation, licensing, and regulation of automobile dealers and repair facilities
 - **Elections:** Regulation and administration of the state's electoral process, training of local election officials, and campaign finance monitoring

Key Budget Terms

Fiscal Year: The state's fiscal year (FY) runs from October to September. FY 2019-20 is October 1, 2019 through September 30, 2020.

Appropriation: Authority to expend funds. An appropriation is not a mandate to spend. Constitutionally, state funds cannot be expended without an appropriation by the legislature.

Line Item: Specific appropriation amount in a budget bill which establishes spending authorization for a particular program or function.

Boilerplate: Specific language sections in a budget bill which direct, limit, or restrict line item expenditures, express legislative intent, and/or require reports.

Lapse: Appropriated amounts that are unspent or unobligated at the end of a fiscal year. Appropriations are automatically terminated at the end of a fiscal year unless designated as a multi-year work project under a statutory process. Lapsed funds are available for expenditure in the subsequent fiscal year.

Note: Unless otherwise indicated, historical budget figures in this presentation have not been adjusted for inflation.

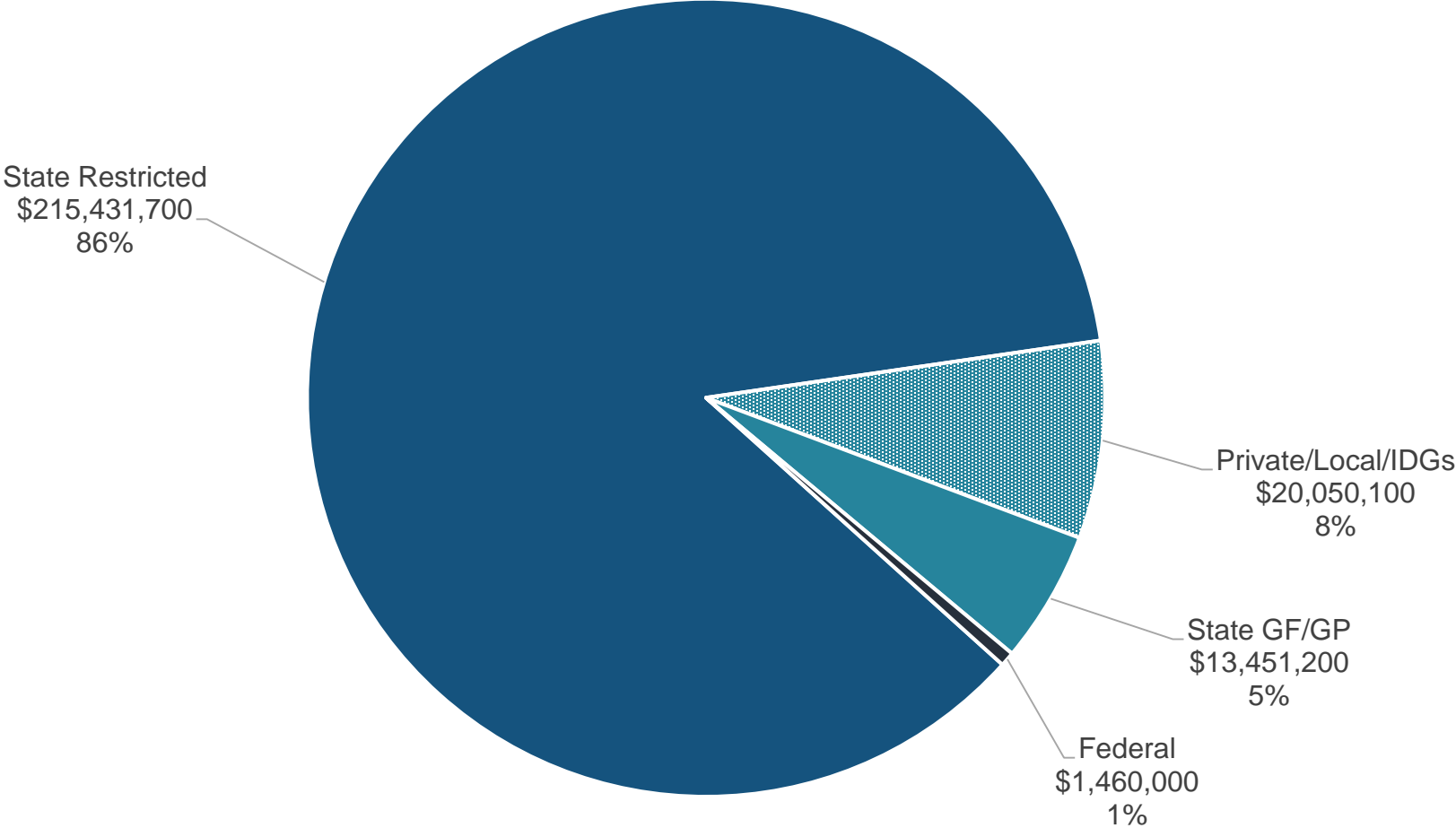
Funding Sources

FY 2019-20 Department of State Budget

Fund Source	Funding	Description
Gross Appropriations	\$250,393,000	Total spending authority from all revenue sources
Interdepartmental Grants (IDG) Revenue	20,000,000	Funds received by one state department from another state department, usually for services provided
Adjusted Gross Appropriations	\$230,393,000	Gross appropriations excluding IDGs; avoids double counting when adding appropriation amounts across budget areas
Federal Revenue	1,460,000	Federal grant or matching revenue; generally dedicated to specific programs or purposes
Local Revenue	0	Revenue received from local units of government for state services
Private Revenue	50,100	Revenue from individuals and private entities, including payments for services, grants, and other contributions
State Restricted Revenue	215,431,700	State revenue restricted by the State Constitution, state statute, or outside restriction that is available only for specified purposes; includes most fee revenue
State General Fund/General Purpose (GF/GP) Revenue	\$13,451,200	Unrestricted revenue from taxes and other sources available to fund basic state programs and other purposes determined by the legislature

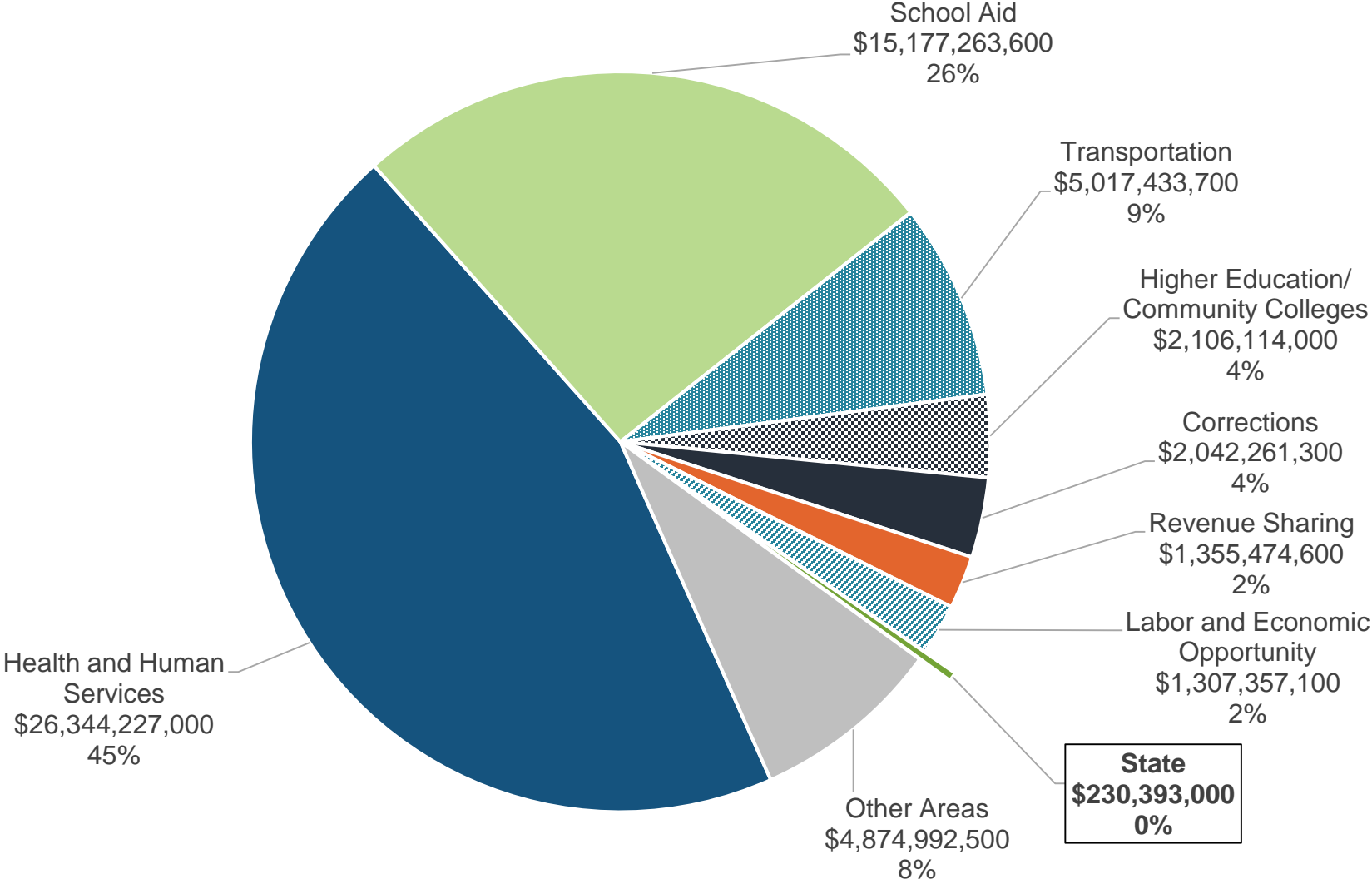
FY 2019-20 Fund Sources

86% of the \$250.4 million Department of State (DOS) budget is funded by state restricted revenue, including Transportation Administration Collection Fund (TACF), Driver Fees, and various other transaction fees collected by the department.



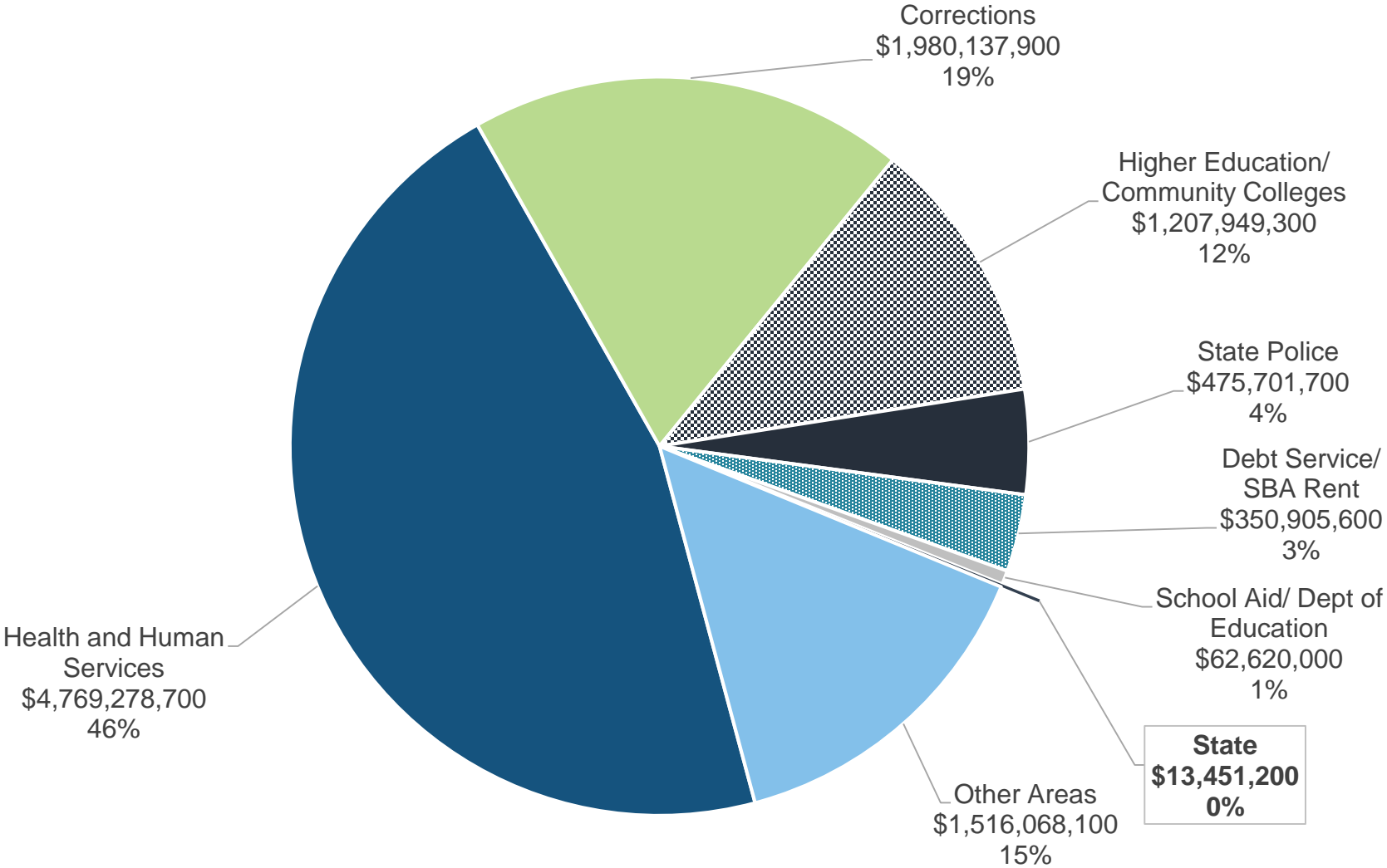
Department of State Share of Total State Budget

The Department of State budget represents less than 1% of the \$58.5 billion state budget (adjusted gross) for FY 2019-20.



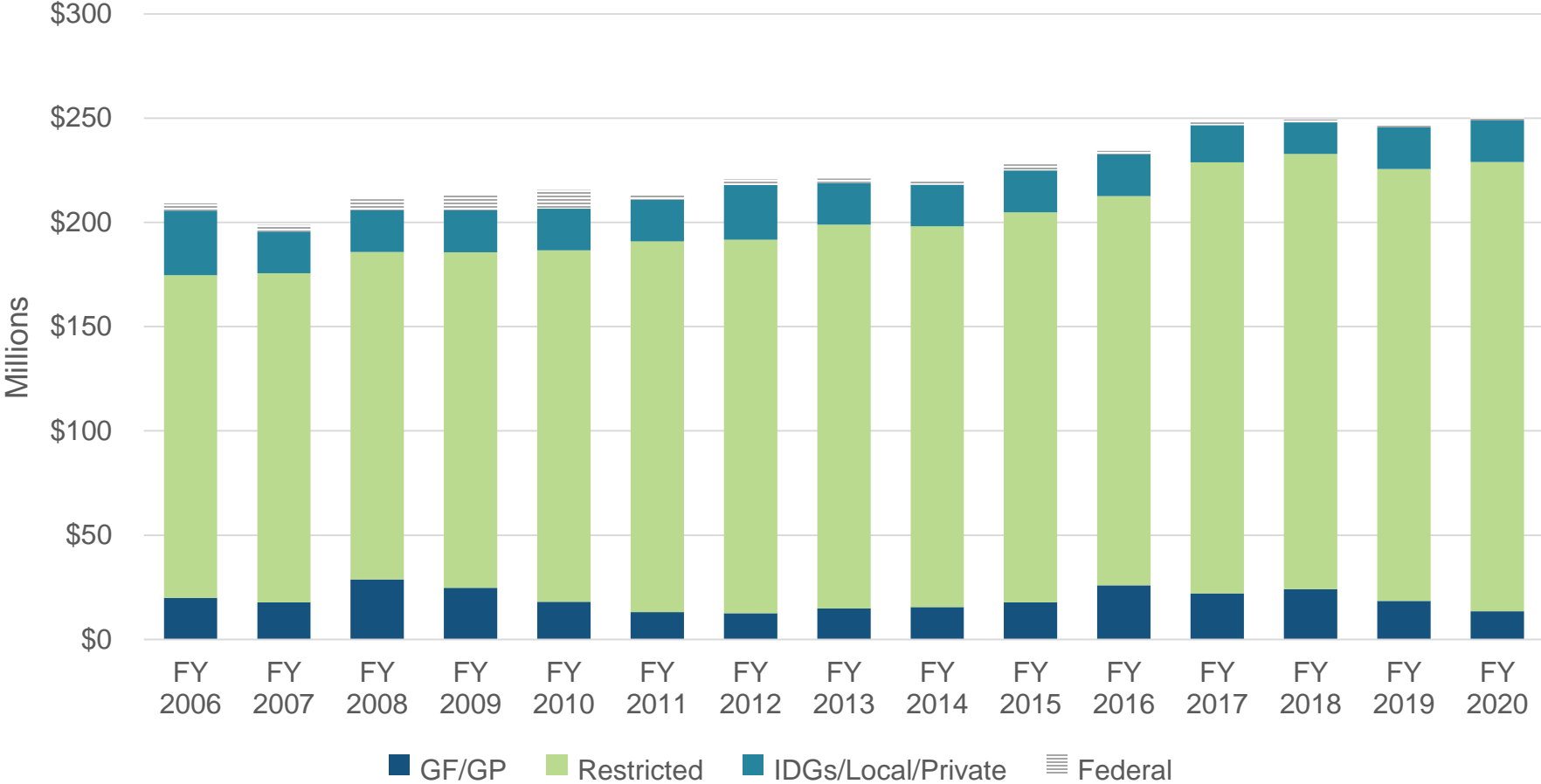
Department of State Share of Total GF/GP Budget

The Department of State budget represents less than **1%** of the state's **\$10.4 billion** GF/GP budget for FY 2019-20.



Department of State Funding History

Funding for the Department of State has grown by **20%** since FY 2005-06, driven mainly by increases in restricted funding. GF/GP appropriations have decreased since FY 2017-18 due to removal of one-time appropriations and replacing GF/GP with restricted funding.



Appropriation Areas

Department of State Appropriation Areas

Departmental Administration and Support: Administrative divisions that perform daily operations within the department. Funds the Secretary of State and other executive staff members, rent and property management costs, and payment of worker's compensation premiums.

Legal Services: Conducts regulatory appeal hearings; liaisons with Attorney General and county prosecutors; provides counsel to ensure administrative compliance.

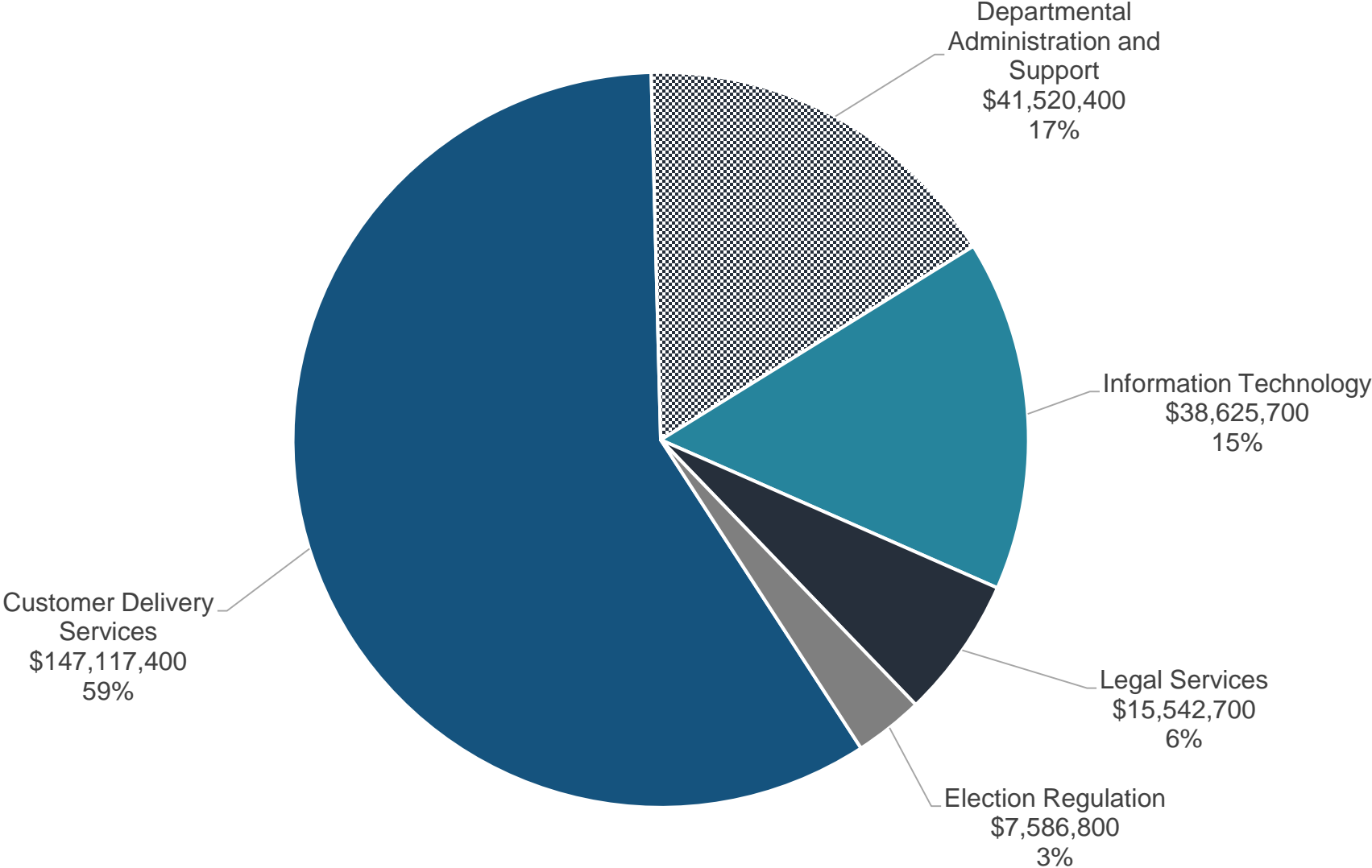
Customer Delivery Services: Includes Branch Operations, records processing, safety programs, and other related services.

Election Regulation: Administrative and regulatory functions of the state's election system.

Information Technology: IT-related services and projects that support department activities; administered by the Department of Technology, Management, and Budget.

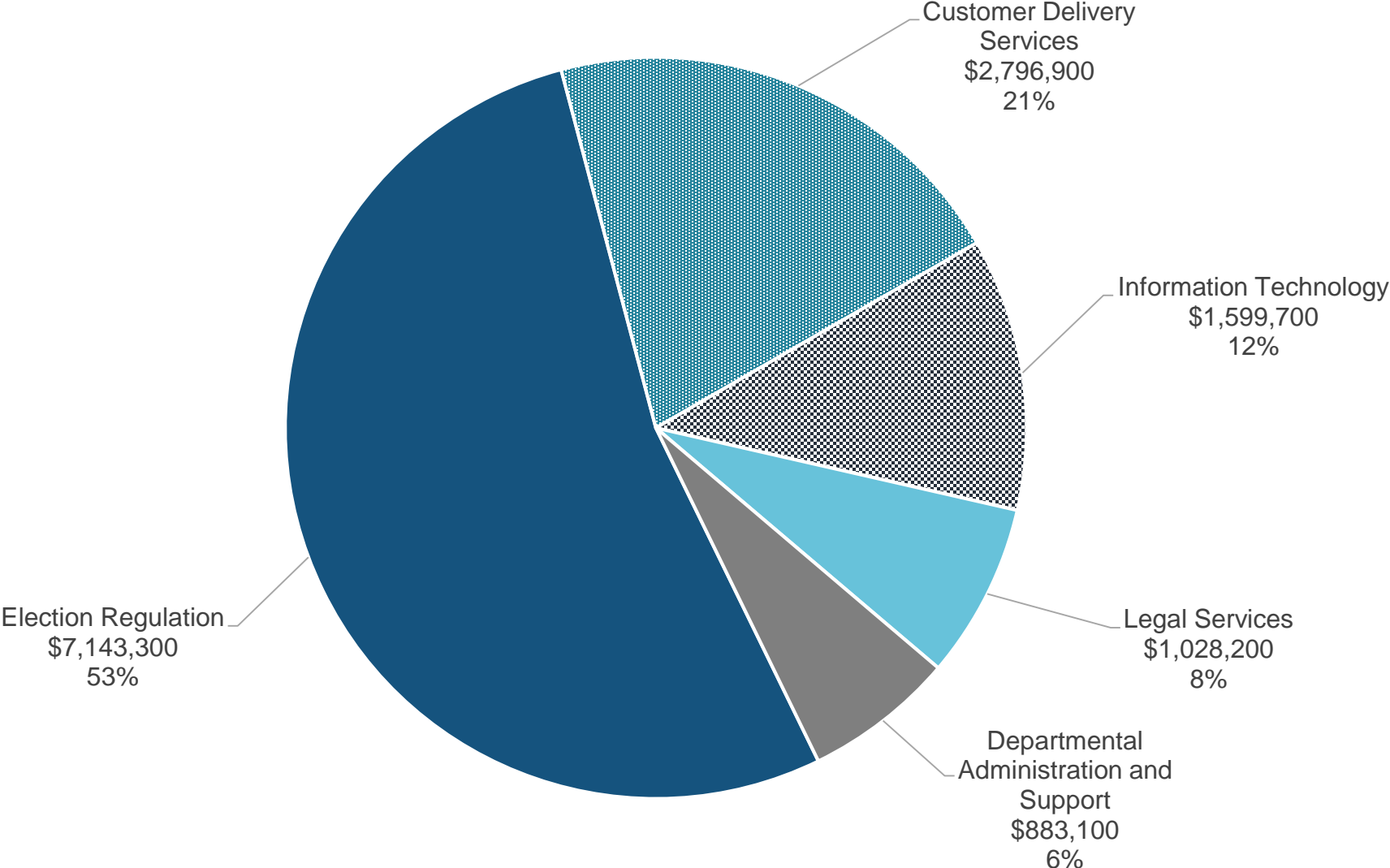
FY 2019-20 Gross Appropriations

59% of the \$250 million Department of State budget supports Customer Delivery Services.



FY 2019-20 GF/GP Appropriations

For FY 2019-20, **\$5.4 million** GF/GP was replaced by state restricted funds resulting in a **\$5.0 million** GF/GP decrease from FY 2018-19. Over half of the department's GF/GP appropriation is allocated to Election Regulation.



Major Budget Topics

Customer Delivery Services Components

- **Branch Operations:** Operates Secretary of State branch offices that issue drivers' licenses; processes automobile and recreation vehicle titles and registrations; offers voter registration services; conducts traffic safety programs.
- **Bureau of Driver and Vehicle Programs:** Processes requests for driver and vehicle records; maintains/stores driver and vehicle records; maintains violation, suspension and restriction records; maintains records of financing statements used to protect a security interest in collateral.
- **Motorcycle Safety Education Administration:** Administers motorcycle safety education program and oversight of motorcycle safety courses.
- **Office of Customer Service:** Processes mailed applications for computer-prepared registrations and driver licenses; issues commercial vehicle registrations; receives and maintains Uniform Commercial Code filings.
- **Organ Donor Program:** Collects and transfers organ donation information from licenses and personal ID card applicants to third parties; produces promotional materials.
- **License Plates:** Oversees manufacturing and issuing of all license plates, including standard, personalized, fundraising, historical, and veteran/military.

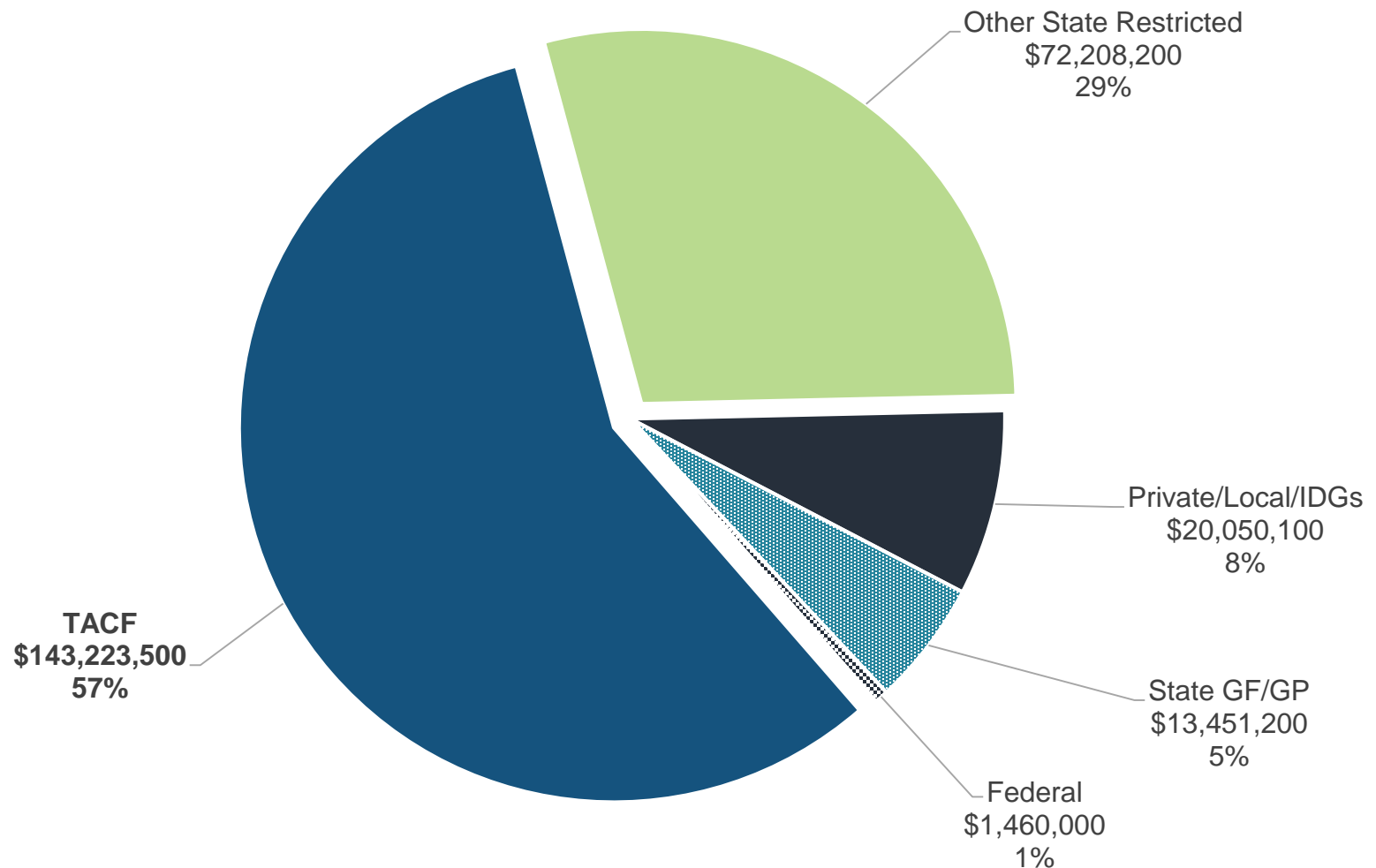
Customer and Automotive Records System

The Customer and Automotive Records System (CARS) is replacing and modernizing the entire legacy IT system used for managing Secretary of State driver and vehicle transactions. Total implementation costs are estimated at **\$88.0** million.

- April 2017 – FAST Enterprises awarded **\$68.7 million** contract for project development.
- February 2019 – Vehicle portion of the system completed and implemented.
- May 2019 – Work on driver portion begins.
- September 2019 – **\$31.9 million** total spent by the end of the fiscal year.
- March 2021 – Driver services portion scheduled for implementation.
- March 2022 – Contract for FAST services ends.

Transportation Administration Collection Fund (TACF)

TACF is the primary state restricted fund used for vehicle registration-related administrative expenses. It makes up two-thirds of the department's state restricted funding and **57%** of the entire department's budget.

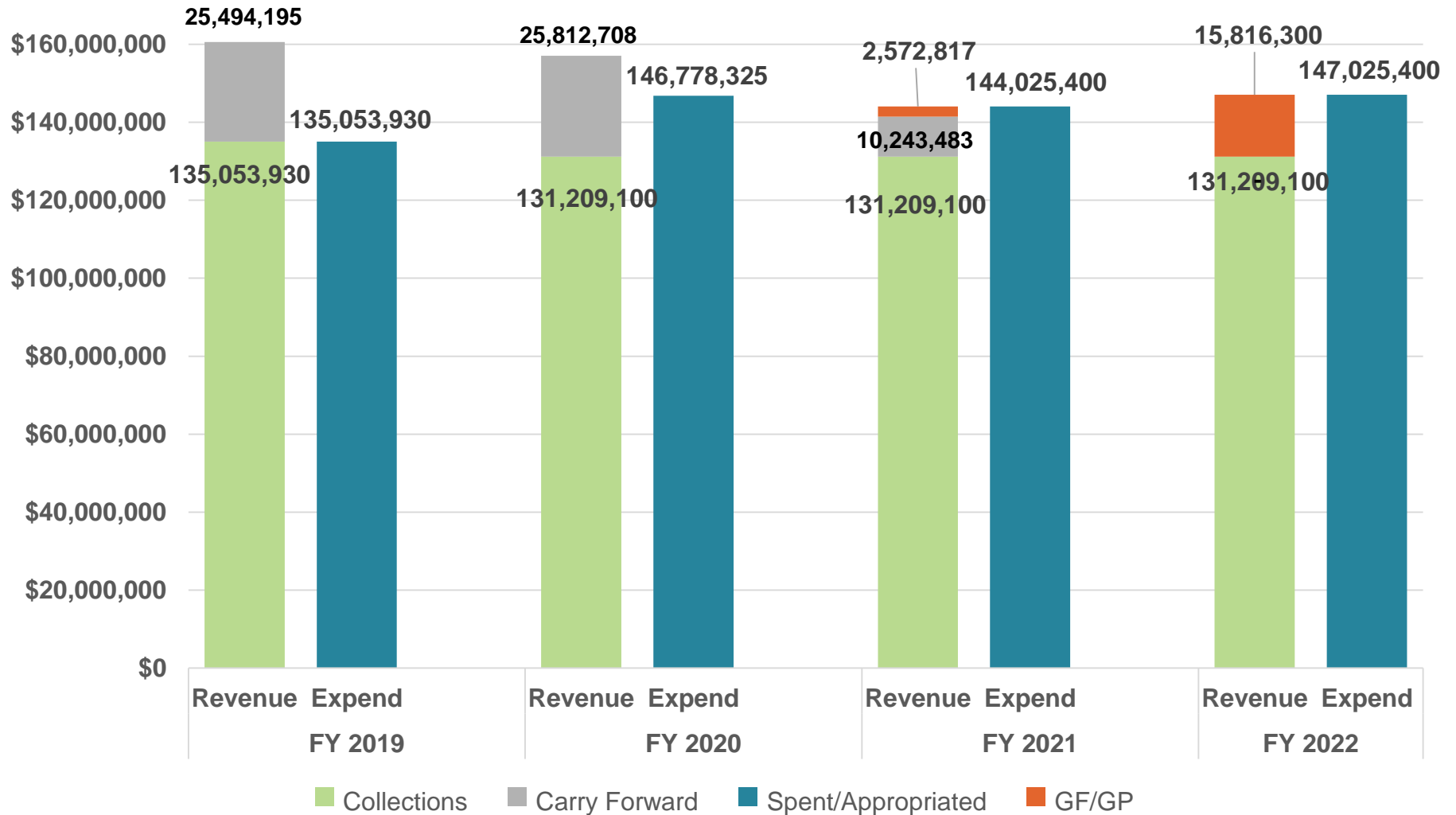


Transportation Administration Collection Fund (TACF), Continued

- Created in 2003 to provide a consistent source of funding for the department's administration of registration of vehicles and watercraft and related services.
- Funded through various service fees and commercial record look-up fees.
- Annual TACF appropriations have exceeded TACF revenue collections in recent years made possible by large unexpended carry-forward amounts from prior years.
- FY 2019-20 budget replaces **\$5.4 million** GF/GP with the same amount of state restricted TACF revenue.
- If enacted, HB 5195 would add **\$2.3 million** annually to TACF.
- Current appropriation levels would require GF/GP funds to make up for future shortfall of TACF revenue.

Transportation Administration Collection Fund (TACF), Continued

Estimated GF/GP Increases Based on Current Appropriation and Projected Revenues



Election Regulation Components

○ **Bureau of Elections**

- Enforces Michigan election statutes, election law, and Campaign Finance Act
- Provides training to local election officials and staff support to Board of State Canvassers
- Reviews campaign statements, registers lobbyists/lobbyist agents, maintains lobbying expenditure reports

○ **Qualified Voter File**

- Maintains statewide voter registration database to prevent record duplication
- Places qualified voters in their correct city or township of residence
- Tracks voter jurisdiction moves

○ **County Clerk Education and Training**

- Training on election processes and workers, and notary responsibilities for clerks and their staff

Election Regulation Components

○ **Help America Vote Act**

- Federal funds to improve election administration and replace voting equipment statewide

○ **Office of the Great Seal**

- Keeps the state's official Great Seal and affixes to all official documents
- Appoints all notary publics
- Processes gubernatorial extraditions and warrants
- Serves as repository for official municipal incorporations and boundary changes, executive orders and appointments, officials' oaths of office, deeds to state-owned lands, public acts, and administrative rules

Presidential Primary Reimbursement

- Michigan election law requires the state to reimburse local units of government for the costs of conducting a presidential primary election, with funds appropriated to Treasury.
- **\$14.0 million** GF/GP is anticipated to cover reimbursements for the March election.

For more information about the Department of State budget:

HFA Resources

<http://www.house.mi.gov/hfa/GeneralGovernment.asp>

Contact Information

Michael Cossen

Fiscal Analyst

cossenm@house.mi.gov

(517) 373-8080