



Budget Briefing: Department of State

Michael Crossen, Fiscal Analyst

August 2018

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 2018-19 is October 1, 2018 through September 30, 2019.

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.

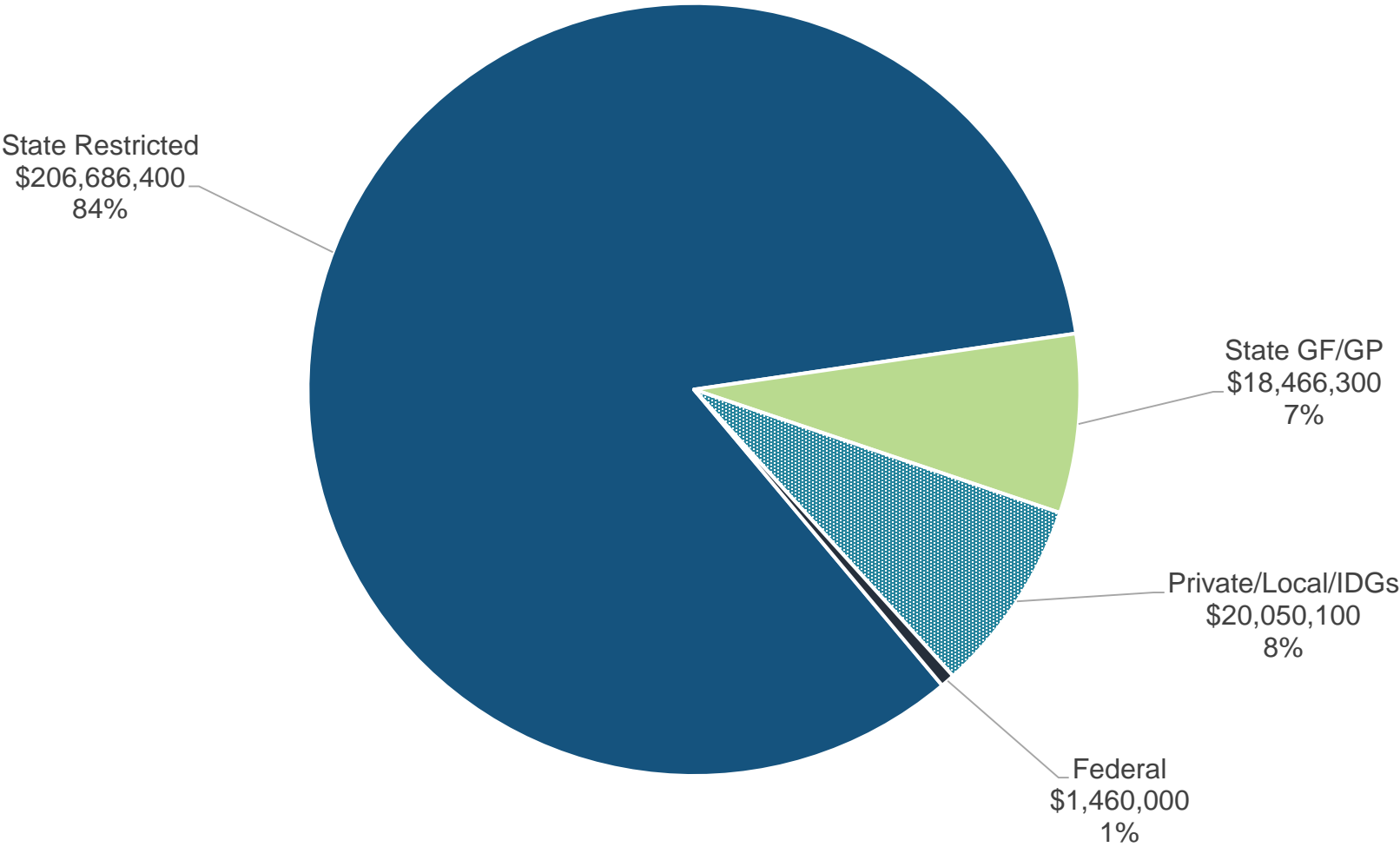
Funding Sources

FY 2018-19 Department of State Budget

Fund Source	Funding	Description
Gross Appropriations	\$246,662,800	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	\$226,662,800	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	206,686,400	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	\$18,466,300	Unrestricted revenue from taxes and other sources available to fund basic state programs and other purposes determined by the Legislature

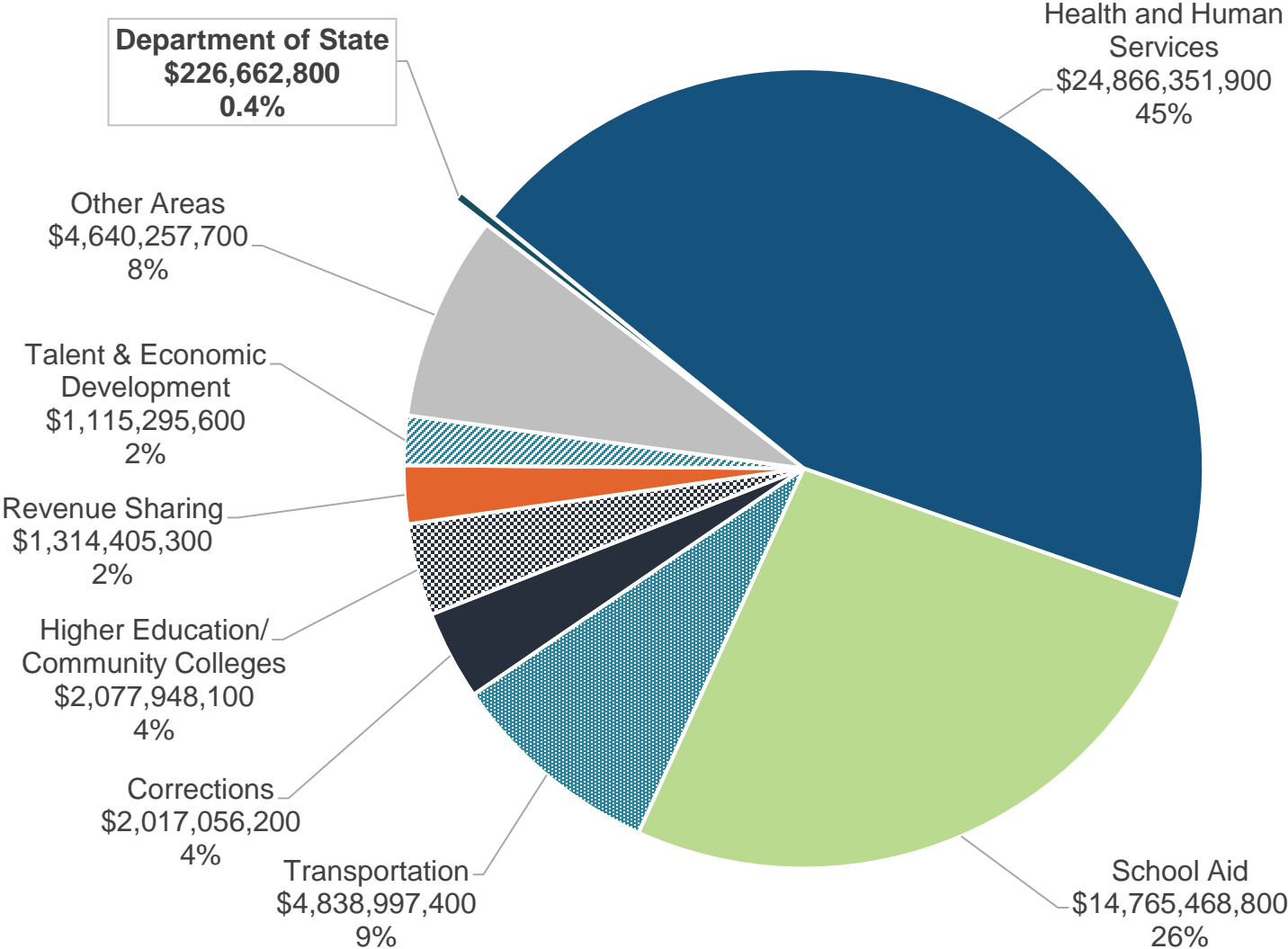
FY 2018-19 Fund Sources

84% of the **\$247 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.



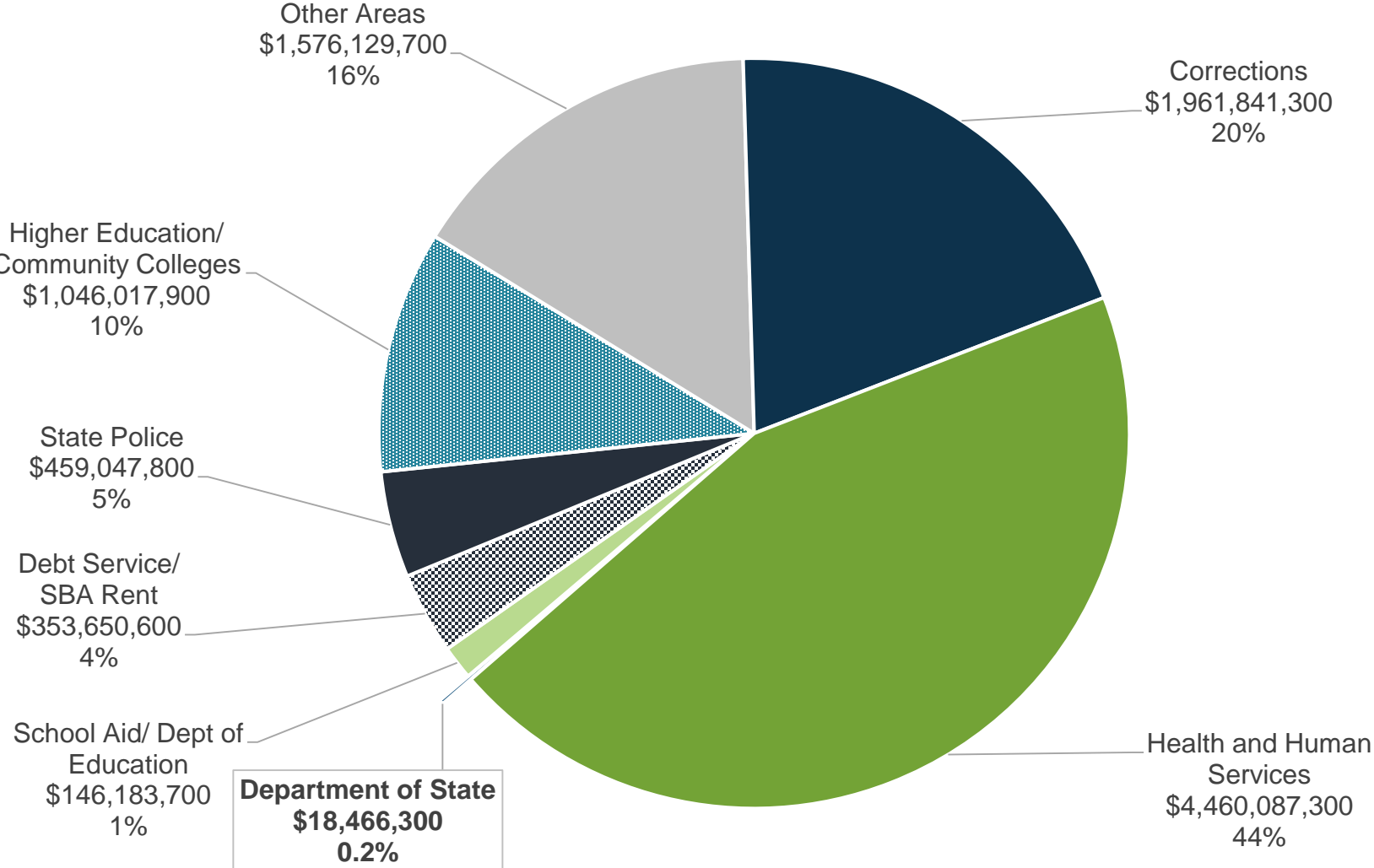
Department of State Share of Total State Budget

The Department of State budget represents 0.4% of the **\$55.9 billion** state budget (adjusted gross) for FY 2018-19.



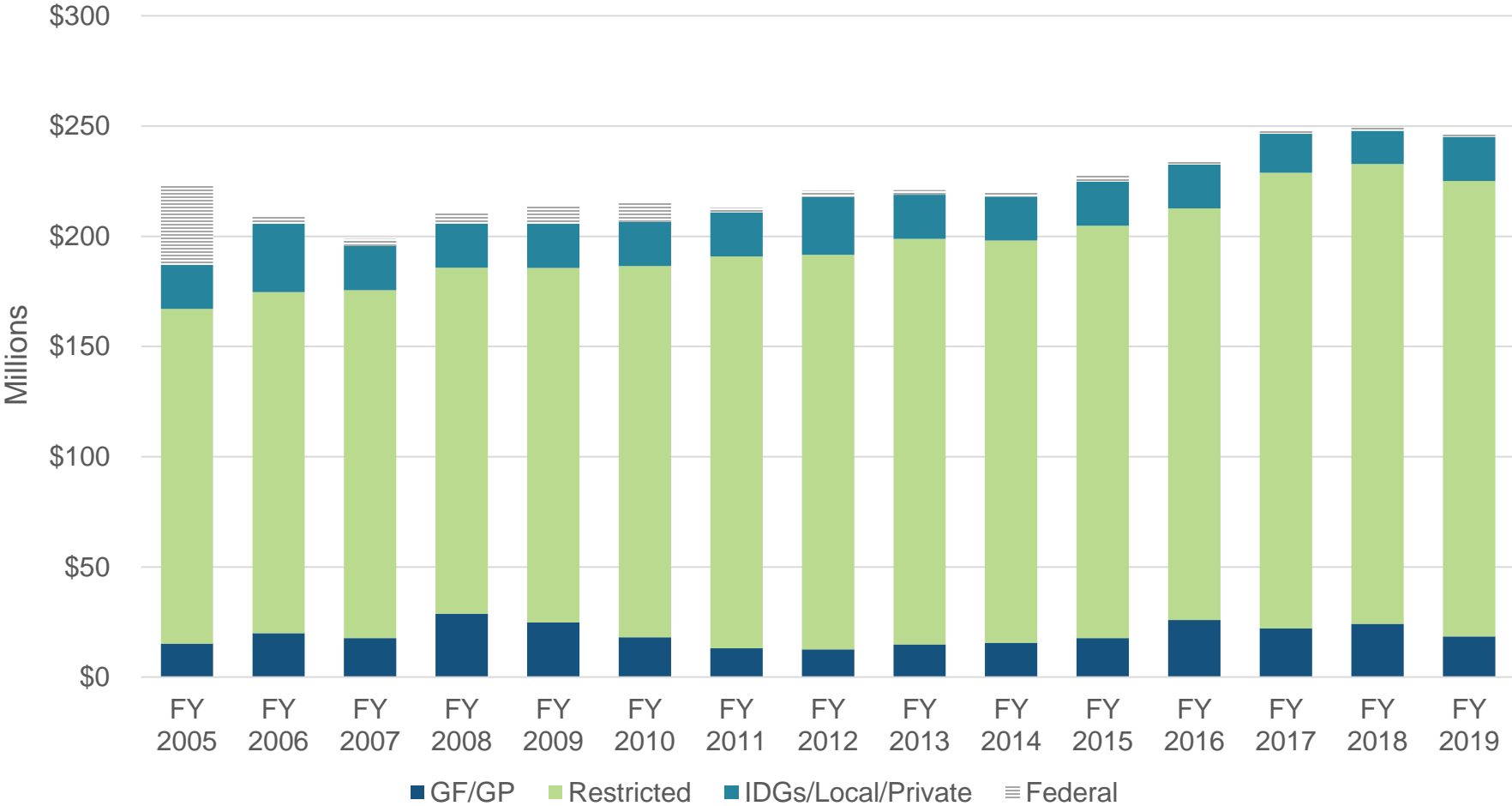
Department of State Share of Total GF/GP Budget

The Department of State budget also represents 0.2% of the state's \$10.0 billion GF/GP budget for FY 2018-19.



Department of State Funding History

Funding for the Department of State has grown by 10% since FY 2004-05, driven mainly by increases in restricted funding. FY 2018-19 shows a gross decrease for the first time since 2014 from the removal of funding for new voting machines and the removal of a restricted fund appropriation.



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.

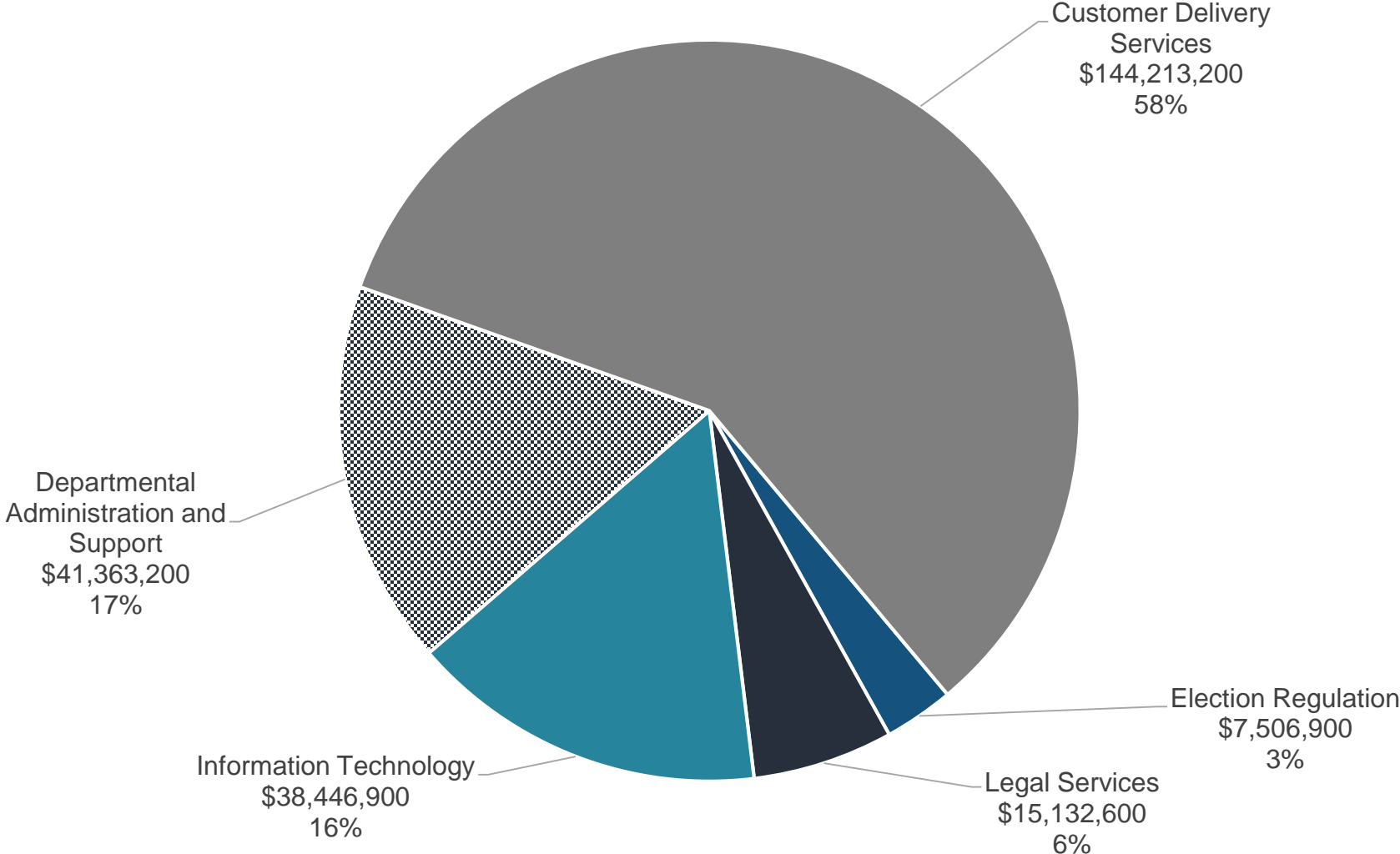
Customer Delivery Services: Includes Branch Operations, records processing, safety programs, and other related services.

Election Regulation: Administrative and regulatory functions of the department in regards to 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.

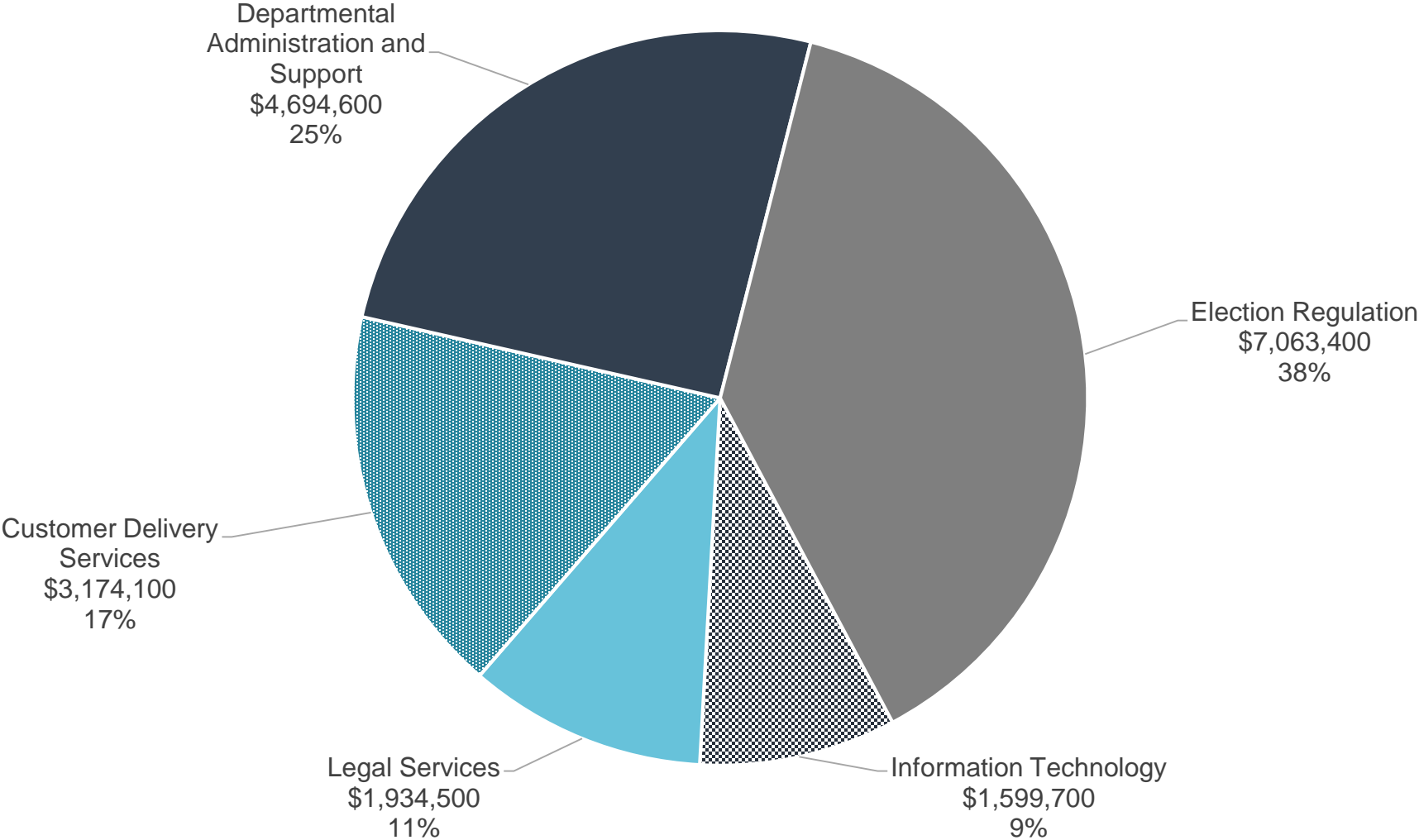
FY 2018-19 Gross Appropriations

58% of the \$247 million Department of State budget supports Customer Delivery Services.



FY 2018-19 GF/GP Appropriations

64% of State Department GF/GP funds (totaling \$18.5 million) go to Departmental Administration and Support and Election Regulation. Customer Deliver Services, which accounts for 58% of the total department budget, receives 17% of GF/GP funds.



Major Budget Topics

Customer Delivery Services Components

- **Branch Operations:** Operates Secretary of State branch offices that issue drivers' licenses; process automobile and recreation vehicle titles and registrations; offer voter registration services; conduct 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 info from licenses and personal ID card applicants to thirds parties; produces promotional materials.
- **License Plates:** Oversees manufacturing and issuing of all license plates, including standard, personalized, fundraising, historical, and veteran/military.

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, register lobbyists/lobbyist agents, maintain 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 staffs

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

Driver Responsibility Fees Elimination

Public Acts 43 - 50 of 2018 eliminated the assessments and collection of Driver Responsibility Fees (DRFs) and provided amnesty to individuals with outstanding fees.

Background

- Driver Responsibility Fees (DRF) were created in 2003 to impose a fee on drivers for certain driving offenses in addition to the standard penalties.
- Individuals with delinquent DRFs had their licenses suspended. As of January 2018, over 300,000 delinquent drivers had suspended licenses.
- The Department reinstated eligible suspended driver licenses upon payment of a \$125 reinstatement fee.
- Statute authorized the Department the use of \$1.0 million of DRF revenue for administration of the Breath Alcohol Ignition Interlock Device (BAIID) program.

Public Acts 43 – 50 of 2018

- Eliminate the assessments and collection of DRF revenue and provides for the waiver of the driver license reinstatement fee for DRF related suspensions.

Driver Responsibility Fees, Continued

- \$1.0 million restricted one-time funding from TACF and 100.0 temporary FTEs appropriated to handle the expected influx of suspended drivers eligible to reinstate their driver license in FY 2017-18 and FY 2018-19.
- \$1.0 million restricted from TACF appropriated in FY 2018-19 to replace the loss of DRF revenue for BAID.
- Loss of \$221,000 in reinstatement fee revenue in FY 2017-18 and \$294,000 in FY 2018-19 from the waiver of DRF payment plan debts.

Revenue and Appropriation Changes from Elimination of Driver Responsibility Fees

Fund	FY 2017-18	FY 2018-19
Driver Responsibility Fees		(\$1,000,000)
TACF	\$1,000,000	\$1,000,000
Reinstatement Fees*	(\$221,000)	(\$294,000)**

* Figures show estimated changes in revenue, not appropriated dollars.

**Number does not include potential indeterminate increase in reinstatement revenue

For more information about the Department of State budget:

HFA Resources

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

Contact Information

Michael Cnossen

Fiscal Analyst

cnossenm@house.mi.gov

(517) 373-8080