



# Budget Briefing: Department of State

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# Briefing Topics

- Funding Sources
- Appropriation 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 license 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 2023-24 is October 1, 2023 through September 30, 2024.

**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 that establishes spending authorization for a particular program or function in a budget bill.

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

**Lapses:** 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.

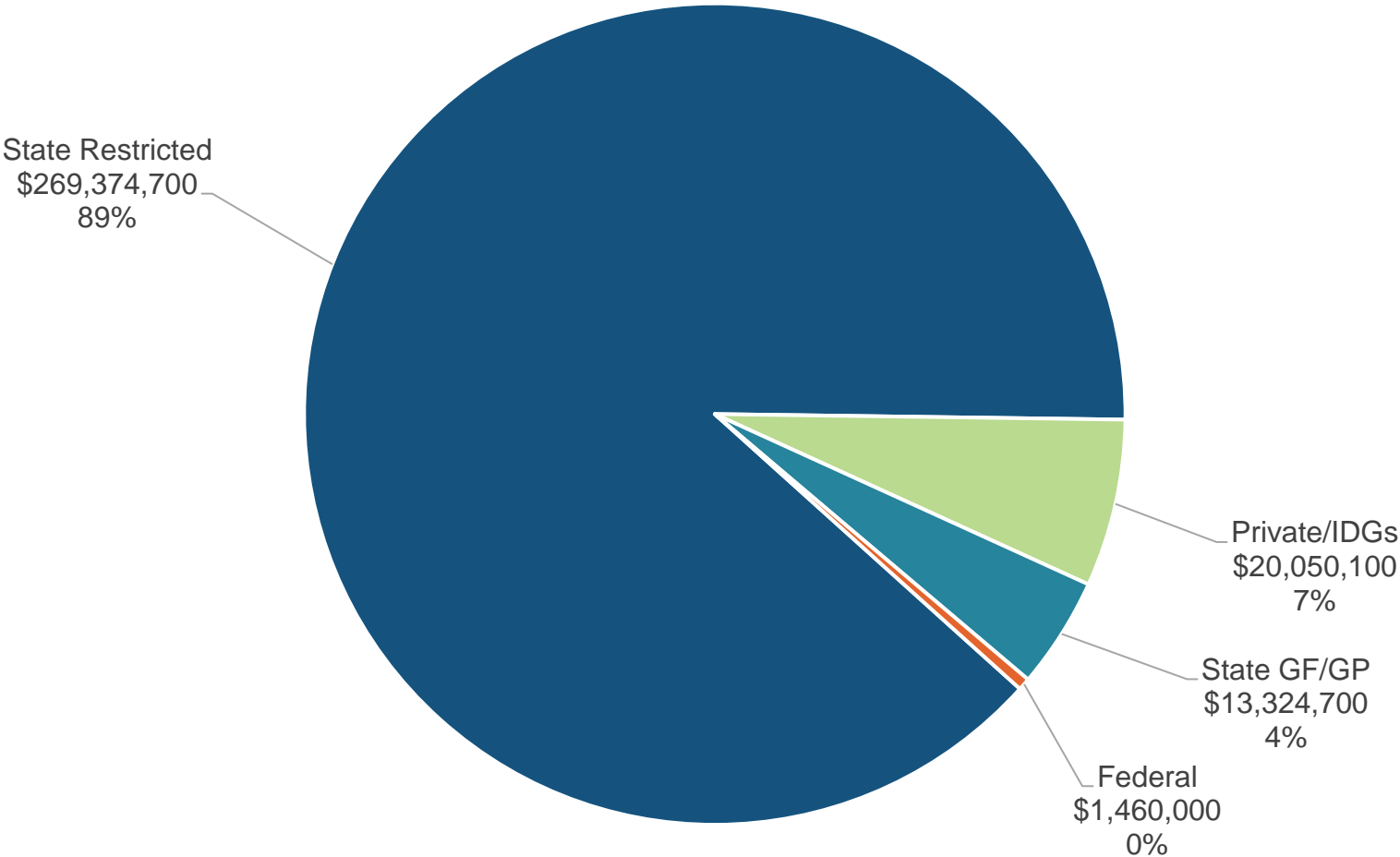
# Funding Sources

# FY 2023-24 Department of State Budget

Fund Source	Funding	Description
Gross Appropriations	\$304,209,500	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	\$284,209,500	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	269,374,700	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	\$13,324,700	Unrestricted revenue from taxes and other sources available to fund basic state programs and other purposes determined by the legislature

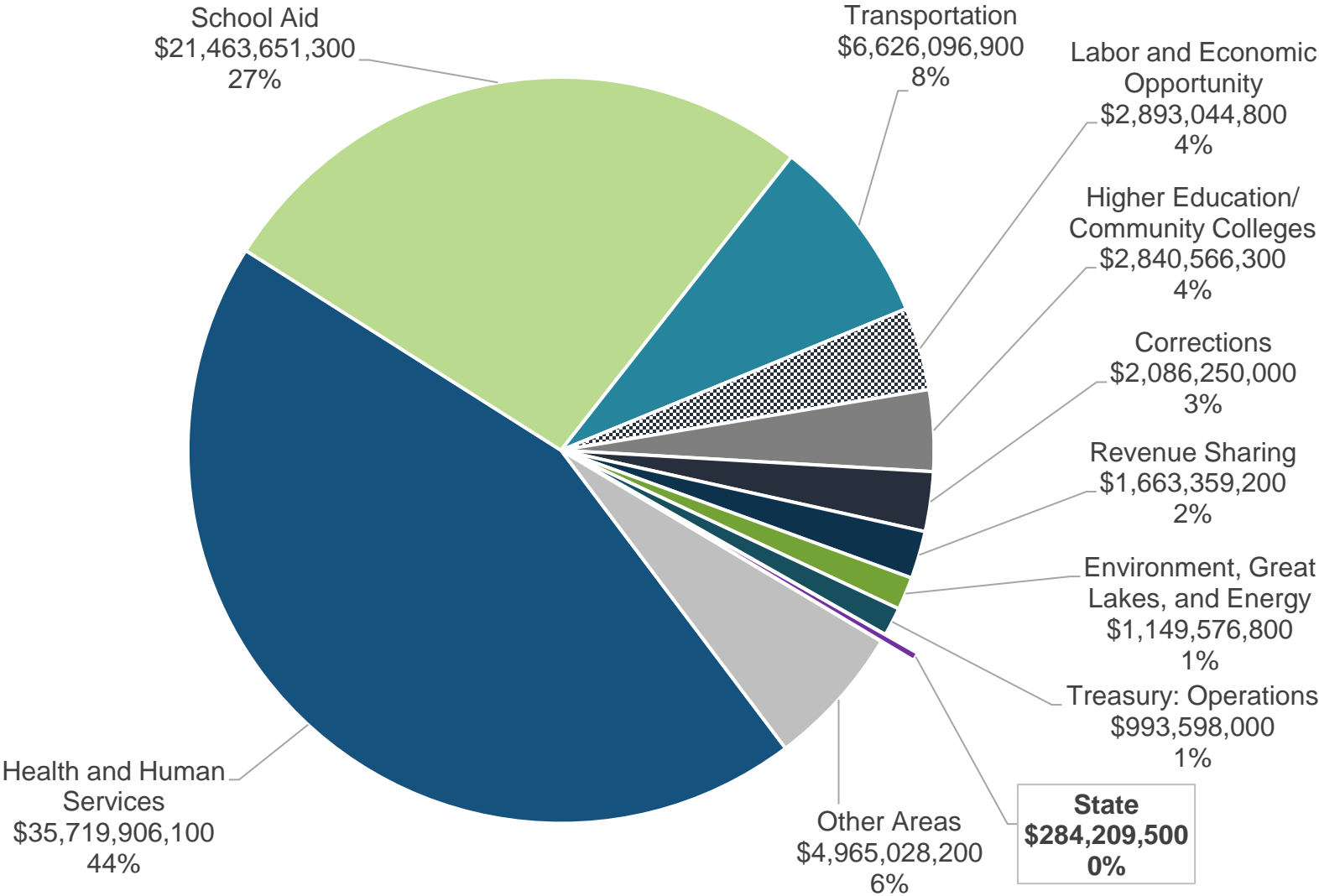
# FY 2023-24 Fund Sources

Of the **\$304.2 million** Department of State (DOS) budget, **89%** is funded by state restricted revenues from the Transportation Administration Collection Fund (TACF), driver fees, and various other transaction fees collected by the department.



# Department of State Share of Total State Budget

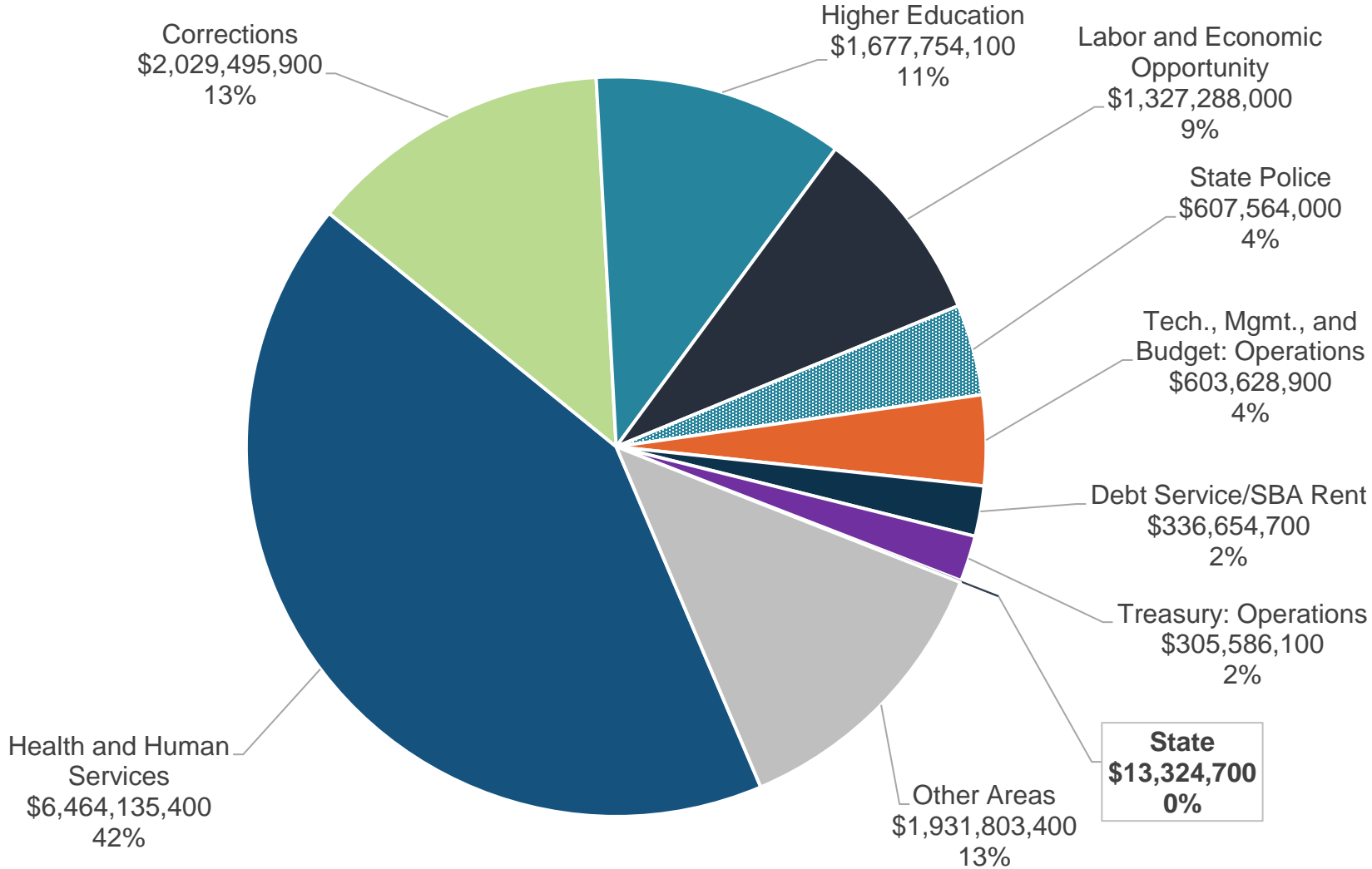
The Department of State budget represents less than 1% of the \$80.7 billion state budget (adjusted gross) for FY 2023-24.





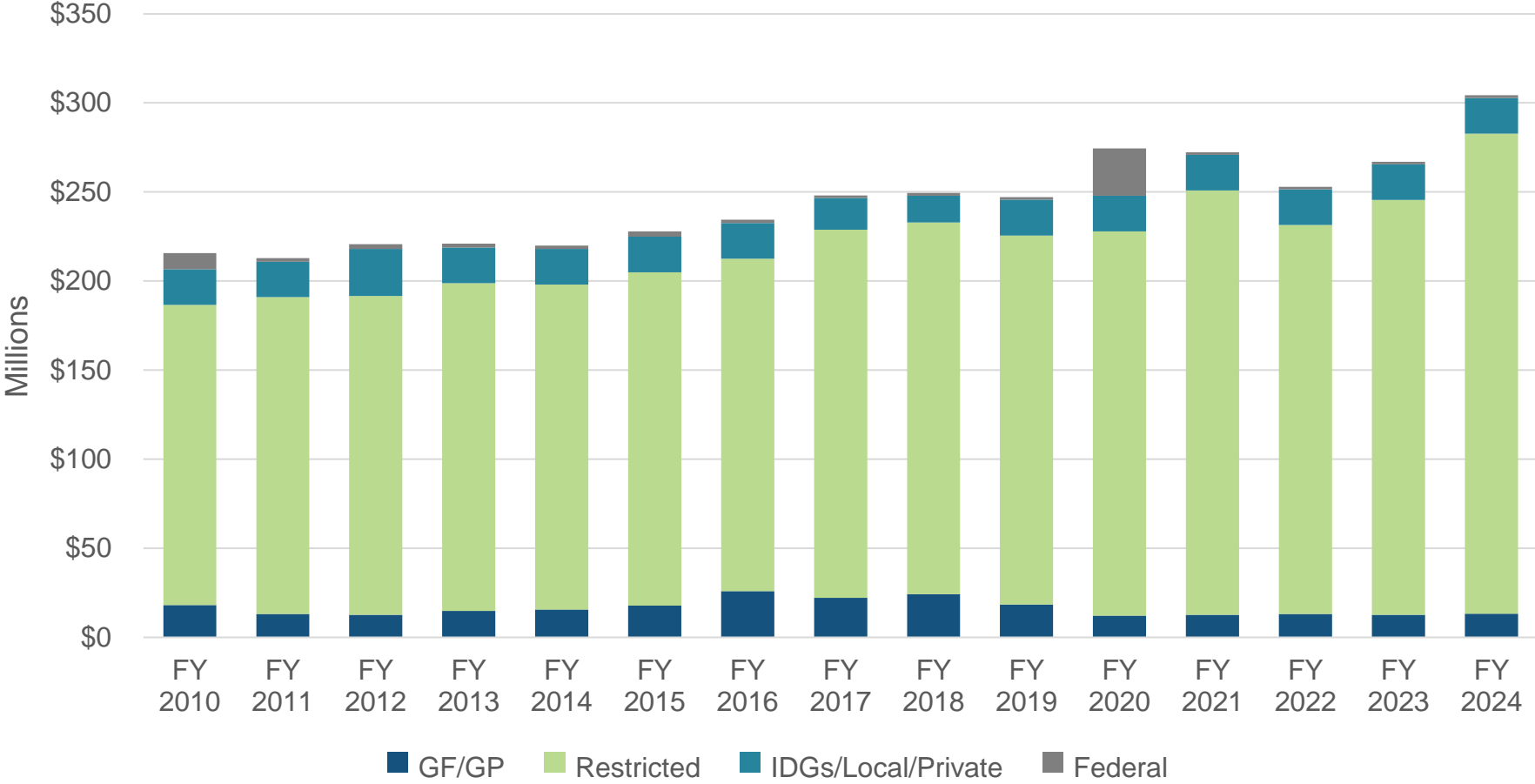
# Department of State Share of Total GF/GP Budget

The Department of State budget represents less than 1% of the state's \$15.3 billion GF/GP budget for FY 2023-24.



# Department of State Funding History

GF/GP appropriations decreased beginning in FY 2017-18 due to a decrease in one-time appropriations and replacing GF/GP with restricted funding. Funding increased substantially in FY 2023-24 due to ongoing and one-time funding for election administration.



# 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 appeals hearings; liaisons with attorney general and county prosecutors; provides counsel to ensure administrative compliance.

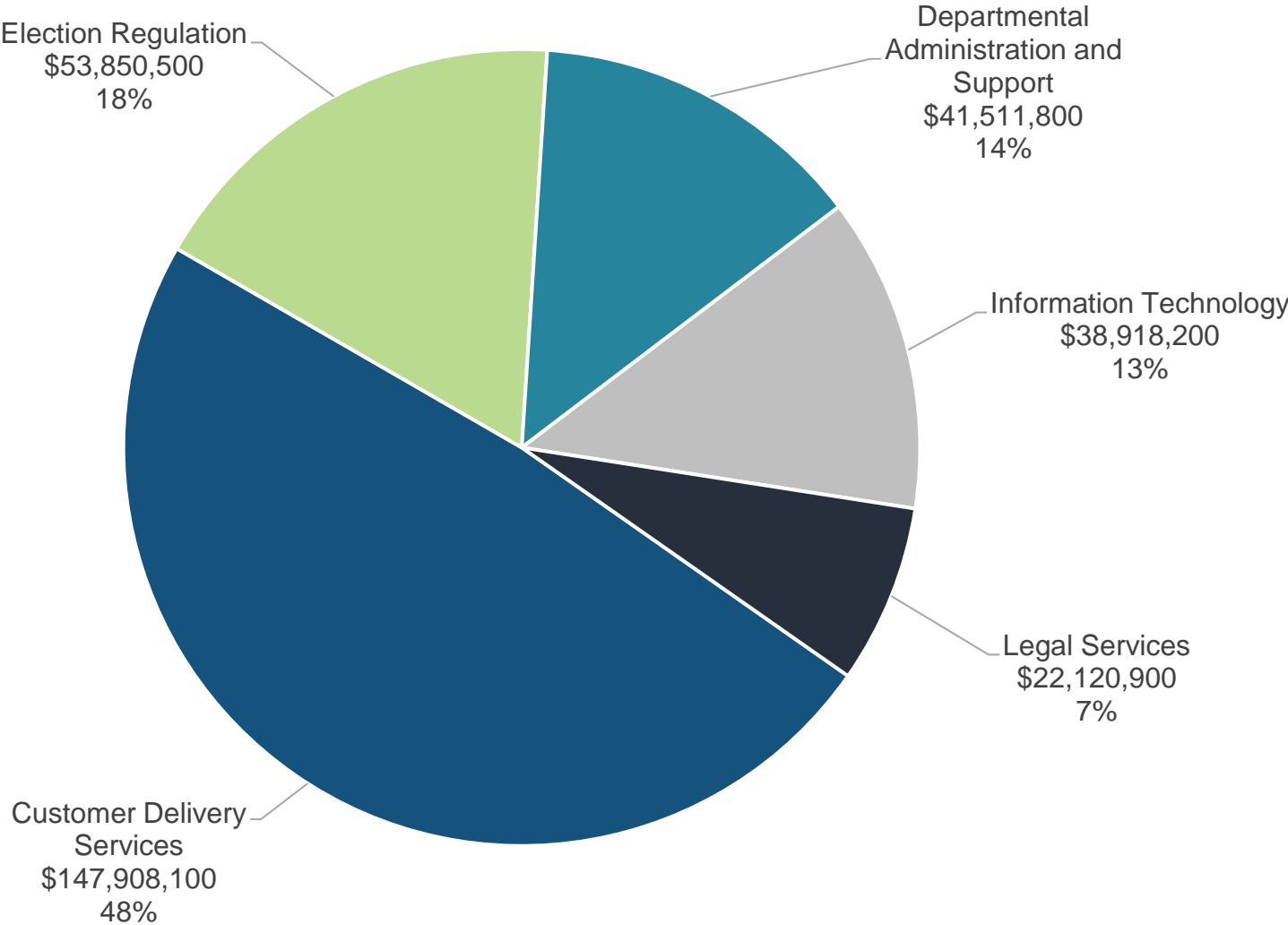
**Customer Delivery Services:** Includes branch operations, records processing, safety programs, and other related services.

**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.

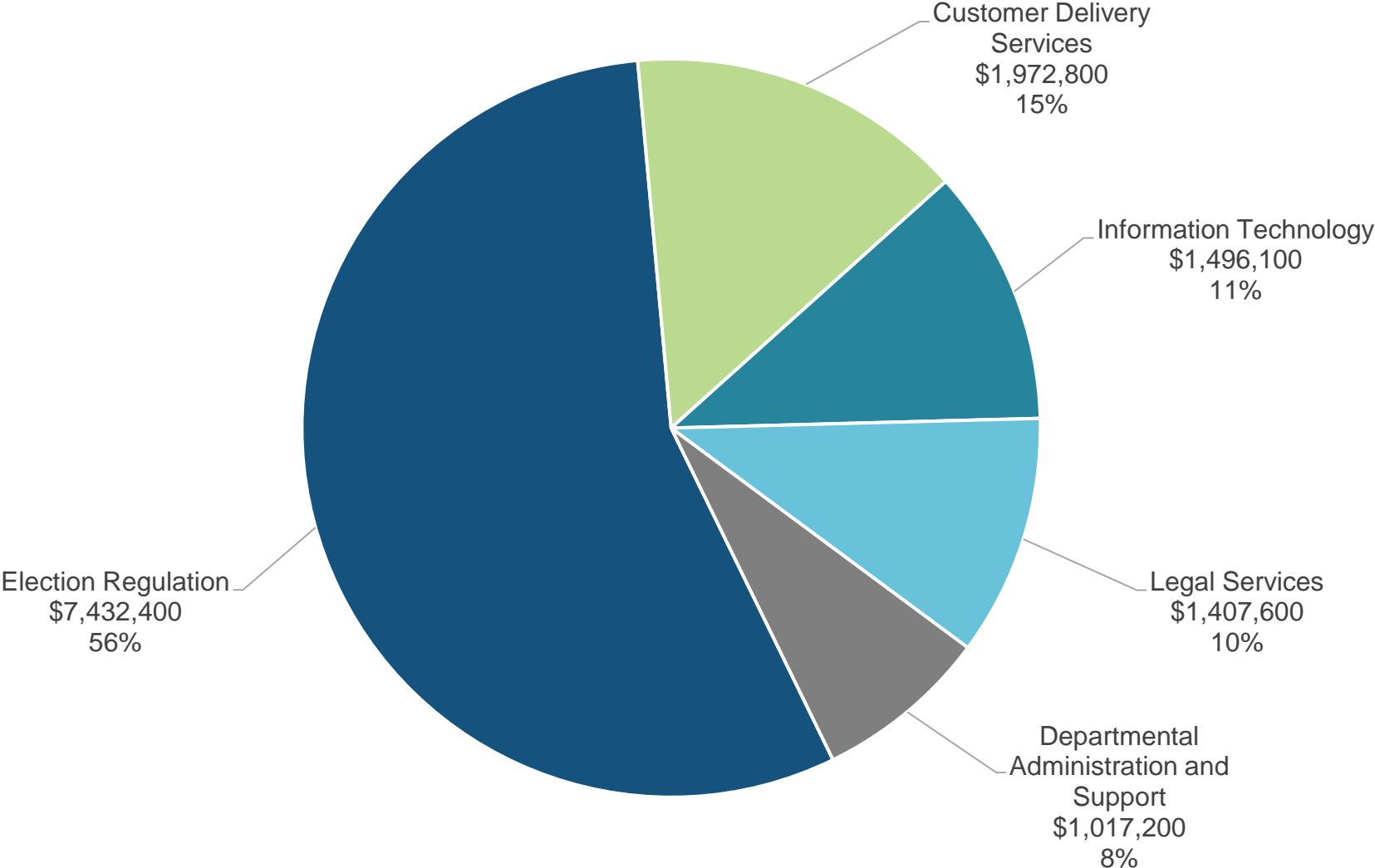
# FY 2023-24 Gross Appropriations

Of the **\$304.2 million** Department of State budget, **48%** supports customer delivery services for vehicles and drivers. Funding for election administration increased from 3% to 18% in FY 2023-24, reflecting higher election costs following Ballot Proposals 22-1 and 22-2.



# FY 2023-24 GF/GP Appropriations

Just under 5% of the department's total budget is funded with GF/GP revenue. Of the total \$13.3 million GF/GP, 55% is allocated to Election Regulation.



# Major Budget Topics

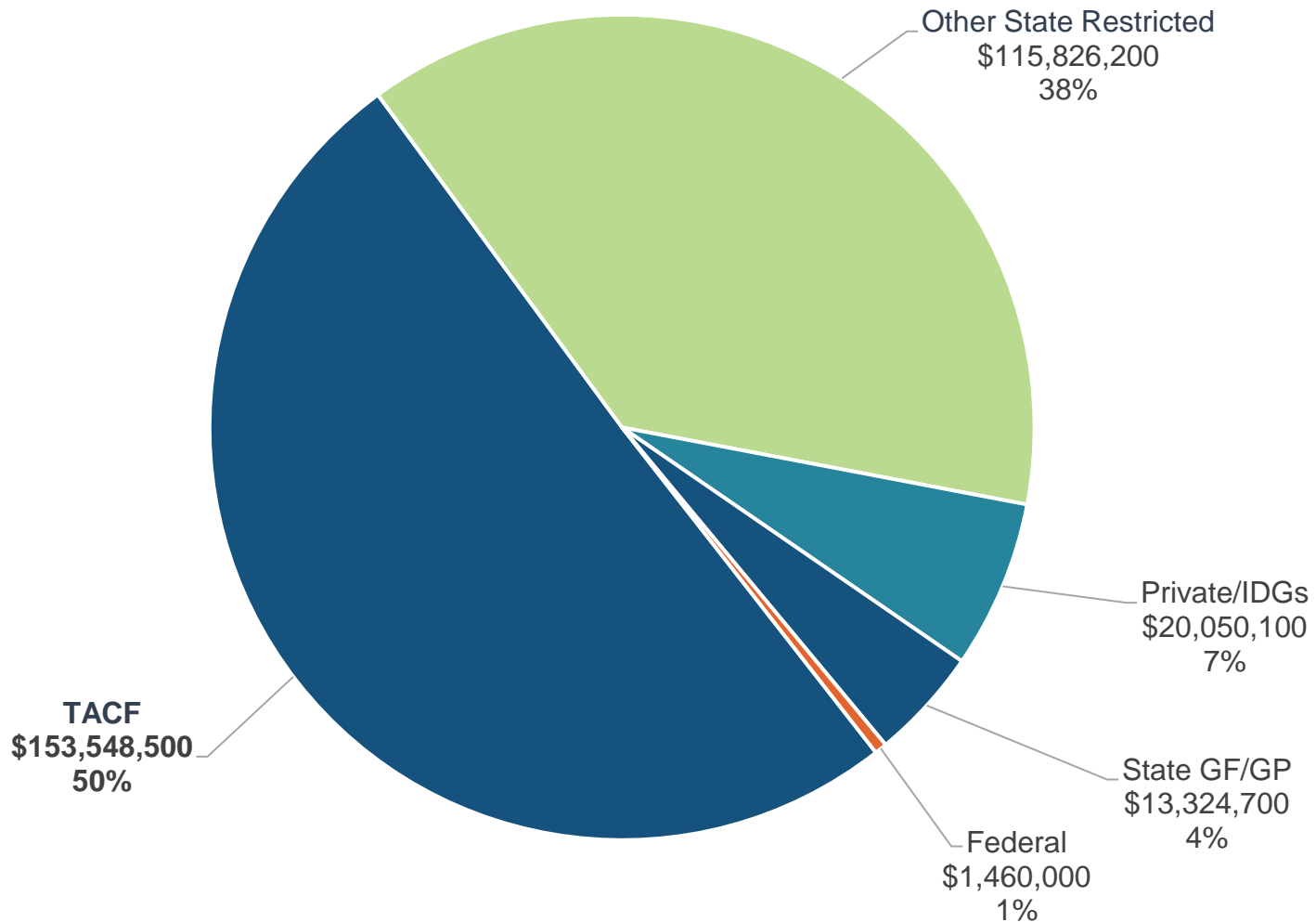
# Customer Delivery Services Components

- **Branch Operations:** Branch offices 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 information 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.



# Transportation Administration Collection Fund (TACF)

TACF is the primary state restricted fund used for vehicle registration-related administrative expenses. It makes up **50%** of the department's entire budget.

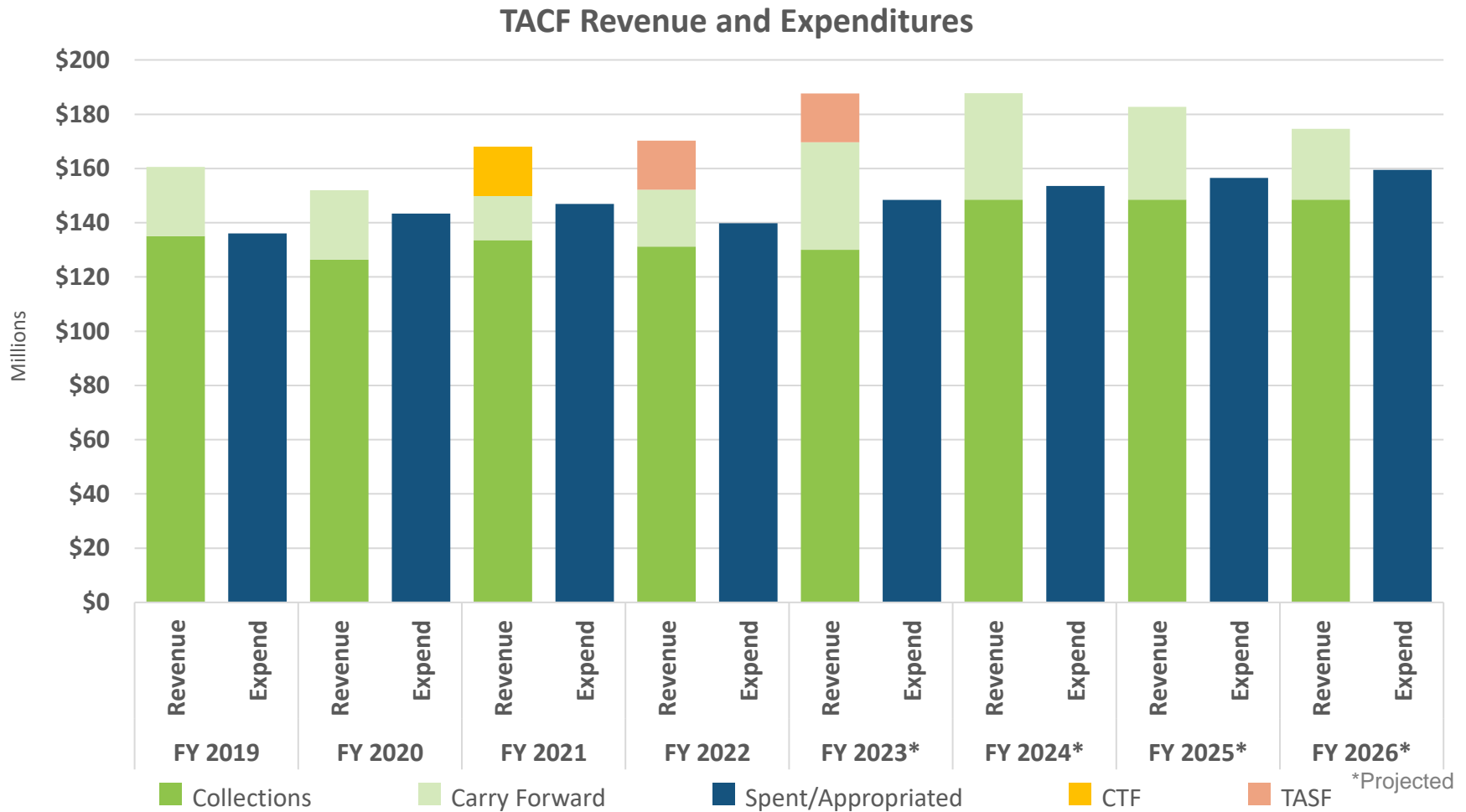


# Transportation Administration Collection Fund

- TACF is the primary state restricted fund used for vehicle registration-related administrative expenses. It makes up **50%** of the department's entire budget
- 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.
- Increasing expenses and steady revenue have led to revenue shortfalls.
- 2021 PA 38 transferred \$18.0 million from the Comprehensive Transportation Fund to TACF and 2021 PA 87 and 2022 PA 166 deposited \$18.0 million GF/GP into the newly created, state restricted Transportation Administration Support Fund to support expenses covered by TACF.
- 2023 PA 130 increased the record look-up fee by \$4, providing approximately \$18.5 million annually in additional TACF revenue.

# Transportation Administration Collection Fund

2023 PA 130 increased the record look-up fee from \$11 to \$15. The \$4 increase is projected to provide an additional \$18.5 million per year to the TACF beginning in FY 2023-24. This would alleviate an imbalance between revenue and spending.



# 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

- Provides training on election processes and notary responsibilities for clerks and their staff

# Election Regulation Components

- **Help America Vote Act**

- Provides federal funds for improving election administration and replacing voting equipment statewide

- **Office of the Great Seal**

- Keeps the state's official Great Seal and affixes it 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

# Ballot Proposal 2 Election Administration Costs

Ballot Proposal 22-2 brought about both new implementation costs and recurring ongoing costs. Some of these costs are supported by FY 2022-23 and FY 2023-24 appropriations.

## FY 2022-23 and 2023-24 Election Administration Appropriations

<u>Proposal 22-2 Purpose</u>	<u>Est. Funding</u>
Early voting assistance grants to counties	\$30,000,000
Ballot drop boxes and security camera equipment to locals	\$16,442,300
Reimbursements to locals for prepaid postage for AV ballots and applications	\$8,316,900
Staffing (19.0 FTE positions)	\$1,429,000
AV ballot tracking system, AV voter list, other	\$750,000
<b>Total</b>	<b>\$56,938,200</b>

## Anticipated Election Administration Costs

Certain requirements of Ballot Proposal 22-2 create recurring ongoing costs. Costs will be higher on even-numbered years when there are federal and statewide elections. Ongoing costs include:

- Reimbursements to locals for the 2024 Presidential Primary – **At least \$20.0 million** is anticipated based on prior primary costs; this does not include new costs of early voting
- Department of State election staffing – Approximately **\$2.0 million** annually
- Support to locals for early voting, postage, and drop box equipment maintenance and replacement – Up to **\$17.0 million** annually

# For more information about the Department of State budget:

## HFA Resources

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

## Contact Information

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