

BUDGET PRESENTATION

SENATE APPROPRIATIONS – GOVERNMENT OPERATIONS COMMITTEE
SENATOR TERRY WANZEK, CHAIRMAN

TESTIMONY PRESENTED BY

MICHAEL HOWE, SECRETARY OF STATE

Chairman Wanzek and members of the committee, I'm Michael Howe, North Dakota Secretary of State. I am here to provide insights into our budget – Engrossed House Bill 1002. I'd like to give you a brief overview of our agency and then walk you through each section of the engrossed bill to provide information on what is included and how it supports our work for the citizens of North Dakota.

AGENCY OVERVIEW

The Office of the Secretary of State is the starting point for democracy and transparency. We serve, guide, and engage citizens through elections, business, and official records. My team conducts a wide range of licensing, regulatory, registration, and administrative functions. We are the office of record for certain legal documents generated by the executive and legislative branches of state government, as well as public records and notices involving various business.

We also serve as North Dakota's trusted source for election information, and along with North Dakota's 53 counties, work to administer and protect the integrity of our election process. Statewide election results are made available through the Secretary of State's elections website – Vote.ND.Gov.

AGENCY FUNCTION

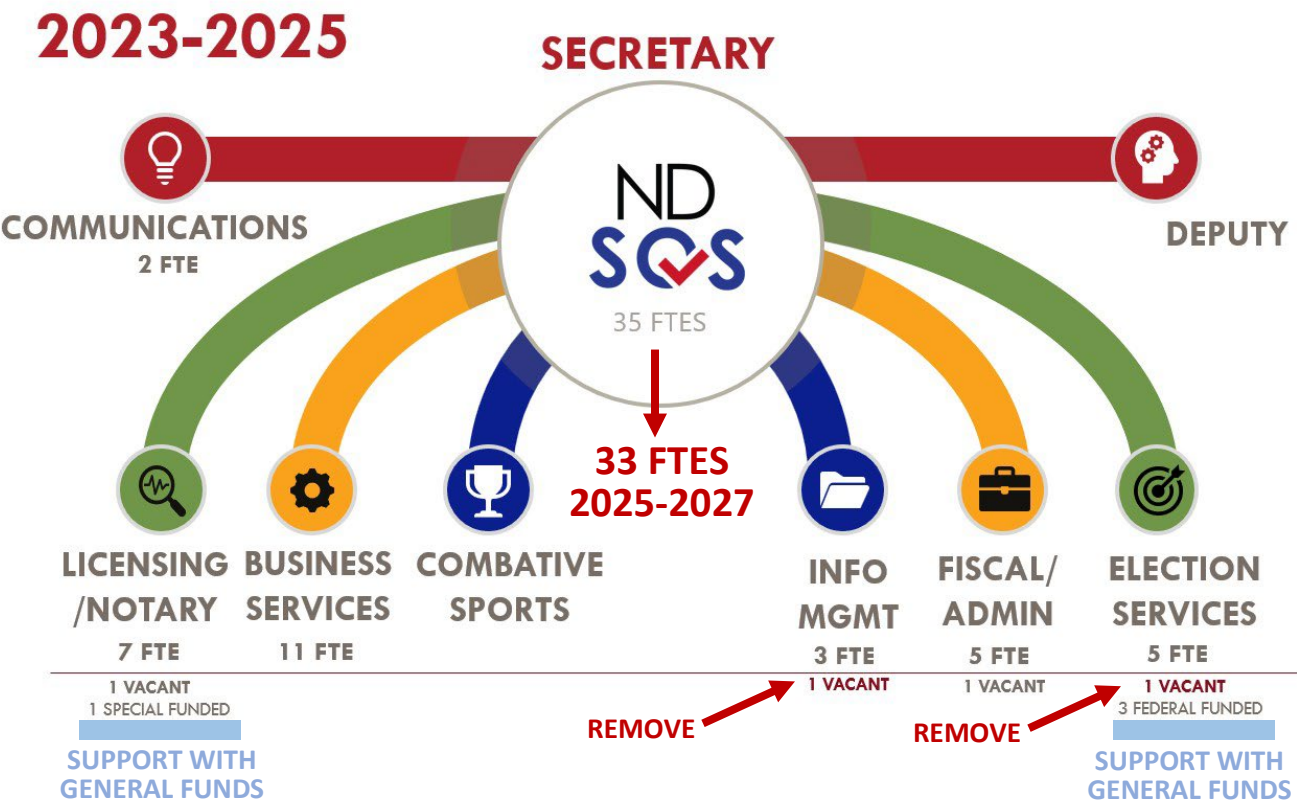
The Office of the Secretary of State is responsible for over 40 functions, here is a breakdown of the key programs.

- **ELECTIONS** – Election administration oversight; campaign finance
- **BUSINESS SERVICES** – Filing point for 46 entities/records – FirstStop Portal; public search of records
- **LICENSING & NOTARY** – License/Register professions; commission notaries public
- **CENTRAL INDEXING** – Lien filing and search
- **INFORMATION MANAGEMENT** – System support and interfaces; records management
- **FISCAL & ADMIN SERVICES** – Fiscal and operations; official records; lobbyist registration
- **COMBATIVE SPORTS** – Oversight of combative contests

ORGANIZATIONAL STRUCTURE

The Office of the Secretary of State is currently authorized for 35 full-time equivalent (FTE) employees (31 FTEs – general fund supported, 4 FTEs – special/federal fund supported). A breakout of positions is provided in the below organizational chart.

Currently with 4 FTEs not funded through general funds, that limits what those positions can do for our office. Example: Our federally funded election team FTEs can only perform work that involves federal elections. They are not allowed to work on campaign finance or any petition review. In the first half we requested general funding for all special and federal funded positions. The House agreed to that in exchange for giving back 2 vacant FTEs (1 general fund and 1 special fund). The House supported this and provided general funding for 33 FTEs. To review, the base budget had 35 FTEs (31 general funded, 4 special and federal funded). Engrossed HB 1002 has 33 FTEs, all general funded.



HOUSE BILL 1002 - OVERVIEW

SECTION 1 – APPROPRIATION

If I can now turn your attention to the First Engrossment version of HB 1002, (version .2000). I'd like to walk through the adjustments and enhancements as proposed to our base budget.

SALARIES & WAGES - \$587,108

The proposed \$587,108 increase to the salary and wage line includes:

Removal of 2 FTEs – (\$385,012) – Our team has been able to increase efficiencies in areas over the last two-years, which has allowed us to return 2 FTEs, a:

- 1) general funded position in our information management area, and a
- 2) Federal funded position in election education.

General Fund Support for Special Fund FTEs – As

mentioned earlier, general fund support of all positions – such as the critical positions in elections – was a request this agency made and received from the House. This increase includes \$581,000 to support 3 FTEs with general funds. The special funds that previously supported these positions will shift in other sections of this bill.

Vacant FTE Pool Changes – This restores funding taken from the salary line last biennium for the Vacant FTE Pool and makes reductions as proposed by the House. The House reduced total salary funding by 3% and then restored a portion of that into a new budget line item later in the bill.

Base Payroll Changes – Includes adjustments to the base payroll for the new biennium, as well as health insurance adjustments, and the 3%/3% salary increases proposed by the House - \$653,507

NEW & VACANT FTE POOL - \$148,177

This is a new line item created for a New & Vacant FTE Pool within our budget. The House restored 70% of what was cut in the 3% overall salary reduction into this line, which for our agency was \$148,177. This line is only accessible for new or vacant FTE use and must be approved by OMB and Legislative Council.

SECTION 1

REVIEW OF ADJUSTMENTS / ENHANCEMENTS

SALARIES & WAGES - \$587,108

- Removes 2 FTEs (1 special/1 federal) – 35 FTE → 33 FTE
 - Special funds used for salary → shift to operating
- General Fund Support for 3 FTEs (formerly special funds)
- FTE Pool Changes
- Base Payroll Changes & Health Insurance
- Salary Increase at 3%/3%

SECTION 1

REVIEW OF ADJUSTMENTS / ENHANCEMENTS

NEW & VACANT FTE POOL - \$148,177

- 70% of FTE Pool Moves to New Line

OPERATING EXPENSES - \$2,171,051

Much of the \$2.1 million increase in this line is related to continued technology improvements and maintenance for core agency systems.

Salary Shift for 1 FTE – \$218,545 – Due to the general fund support provided for FTEs in this bill, there is a shift of \$218,545 of agency special funds from salary back to the operating line.

One-Time Funding – \$700,000 General Fund –

This one-time funding supports the following:

- \$500,000 for an upgrade to the Central Indexing System from 1.0 to 4.0. This system is our lien filing and search site and our vendor is limiting support for 1.0 in the future due to the age of the system.
- \$200,000 to support NDIT hosting costs until migration off the AS400 server occur. The server hosting cost for the AS400 is split between two agencies – SOS and DHHS – and could be greater if one agency is the sole user of the device. The AS400 will be retired for the SOS at the launch of FirstStop 5.0.

IT License/Maintenance Support – \$1.06 M –

The agency relies on technology to conduct core functions, and this administration is working to upgrade systems to continue to provide greater access, transparency, and a user-friendly experience. This general fund support for annual maintenance/licensing and continued enhancements to these systems ensures we continue to provide the best citizen experience.

- \$650,000 – FirstStop, Election Management, Campaign Finance
- \$410,000 – Central Indexing

NDIT Increases – \$192,507 – NDIT increased a number of its fees for next biennium, especially in the area of hosting for our systems. OMB provided an increase of \$22,506 in our base budget, and we requested an additional \$170,000 to cover the data hosting cost increases which the House supported.

SECTION 1

REVIEW OF ADJUSTMENTS / ENHANCEMENTS

OPERATING EXPENSES - \$2,171,051

- → Restores Special Fund Salary to Operating Line
- One-Time – \$700,000
 - AS400 Server Costs – \$200,000
 - Central Indexing Upgrade 1.0 to 4.0 – \$500,000

SECTION 1

REVIEW OF ADJUSTMENTS / ENHANCEMENTS

OPERATING EXPENSES - \$2,171,051

- IT License/Maintenance Support - \$1.06M
 - FirstStop, Election Mgmt, Camp. Finance - \$650,000
 - Central Indexing - \$410,000
- NDIT Funded Increase - \$22,506
- NDIT Data Hosting Increase - \$170,000

GRANTS & PETITIONS

These are static lines in our budget and have no changes.

Grants – These are grants available to North Dakota Tribes for reimbursement of up to \$5,000 for expenses related to voter ID efforts.

Petitions – This \$8,000 is an estimated cost for the review of one statewide petition. This funding is for postcards and mailings that are part of the review process. If multiple petitions are turned in, additional funding is requested through the emergency commission as needed.

ELECTION REFORM - \$4,397,006

The increase in the election reform line is mainly due to one-time funding for replacement of election equipment and needed authority for anticipated federal grants.

Salary Shift for 2 FTE – \$614,707 – Due to the general fund support provided for FTEs provided in this bill, there is a shift of \$614,707 of federal funds from salary back to the election reform line.

One-Time Authority/Funding – This area includes both one-time funding and authority changes to this line.

- \$100,359 – DES Election Security Grant – This is added authority for a grant received for a DES Election Security Grant for election security awareness funding.
- \$1 M – This is authority for an anticipated federal HAVA award that is scheduled to occur sometime in spring 2025. North Dakota has received \$1 million in HAVA awards for the past three years and anticipates a similar award.
- \$2.8 M – SIIF – Poll Pad/Cradle Point Replacement – One-time funds from the Strategic Investment Fund (SIIF) are included for replacement of the election Poll Pads and cradle points in all polling locations to establish a secure statewide network and platform for voter check in. These systems have reached their end of life as they are no longer able to be upgraded to meet ongoing security updates.
 - Original purchase 2019
 - Replacing 1,100 Poll Pads, stands and storage cases; 170 cradle points (creates network)

SECTION 1

REVIEW OF ADJUSTMENTS / ENHANCEMENTS

GRANTS – NO CHANGE

- \$25,000 – Grants Available to Tribes for ID Efforts for Voting

PETITIONS – NO CHANGE

- \$8,000 – Petition Review – postcards/postage (est. for 1)
- Request Funding through Emergency Commission as Needed

SECTION 1

REVIEW OF ADJUSTMENTS / ENHANCEMENTS

ELECTION REFORM - \$4,397,006

- → Restores Federal Fund Salary to Election Reform Line
- One-Time Funding/Authority
 - SIIF – Replace Poll Pads & Cradle Points – \$2.8 M
 - Authority – DES Election Security Grant – \$100,359
 - Authority – HAVA 2025 Anticipated Award – \$1 M

NDIT Election IT Increase – An \$80,000 increase in NDIT technology costs for hosting Poll Pads and Cradle Points.

HAVA – State Match for 2025 – \$200,000 of ongoing funding for state match requirements related to Federal HAVA grant awards. The Senate provided \$200,000 ongoing funding in our budget last biennium which was applied to the 2024 award as match, however that funding is only enough for one-year of award in the biennium.

PUBLIC PRINTING - \$271,335

This adjustment moves the funding for public printing out of the Office of the Secretary of State's budget. The agency's responsibilities in this area are limited as most of the duties are the responsibility of Legislative Council. The House visited with Legislative Council who was receptive of this move.

SECTION 1

REVIEW OF ADJUSTMENTS / ENHANCEMENTS

ELECTION REFORM - \$4,397,006

- NDIT Election IT Increases - \$80,000 (Poll Pad/Cradle Points)
- HAVA – State Match Requirement for 2025 - \$200,000
 - On-going funding allows for match both years of biennium
 - Senate provided \$200,000 last biennium (Applied to 2024 HAVA)

SECTION 1

REVIEW OF ADJUSTMENTS / ENHANCEMENTS

PUBLIC PRINTING - \$271,335

- Removes \$271,335 from NDSOS
 - → Shifts Funding to Legislative Council Budget

SECTION 2 – ONE-TIME FUNDING – EFFECT ON BASE BUDGET

One-time funding requests included in HB 1002 are as follows:

- \$2.8 M – Poll Pads & Cradle Points
- \$700,000 – IT Enhancements – Central Index Upgrade/AS400 Support
- \$100,359 – DES Election Security Grant – Authority Only
- \$1 M – HAVA 2025 Anticipated Award – Authority Only

SECTION 2

ONE-TIME FUNDING – EFFECT ON BASE BUDGET

ONE-TIME FUNDING DETAIL

- \$2.8 M – Poll Pads & Cradle Points (SIIF)
- \$700,000 – IT - Central Index Upgrade/AS400 Support (SIIF)
- \$100,359 – Authority – DES Election Security Grant
- \$1 M – Authority – HAVA 2025 Anticipated Award

SECTION 3 – NEW AND VACANT FTE POOL

This section creates a new budget line item for the New and Vacant FTE Pool and establishes the processes for use of these funds.

SECTION 4 – OTHER FUNDS – STRATEGIC INVESTMENT AND IMPROVEMENTS FUND

Section 4 calls out items that received one-time funding from the Strategic Investment and Improvements Fund:

- \$2.8 M – Poll Pad & Cradle Point Replacement
- \$500,000 – Central Indexing Upgrade
- \$200,000 – AS400 Server Support

SECTION 4

STATE INVESTMENT AND IMPROVEMENTS FUNDING

\$3.5 M – TOTAL SIIF FUNDING

- \$2.8 M – Poll Pad & Cradle Point Replacement
- \$500,000 – Central Indexing Upgrade
- \$200,000 – AS400 Server Support

SECTION 5 – TRANSFER – GENERAL FUND

Section 5 creates transfer authority language to allow the Office of the Secretary of State to move funding to the appropriate election fund. HAVA Federal grant match is required to be in an interest-bearing line, so movement of these match dollars is needed by the agency.

SECTION 5

TRANSFER AUTHORITY - HAVA

\$600,000 – Transfer Authority for HAVA Match

- Allows for movement of General Funds to Election Reform Line to do HAVA Match
 - Must be in Election Reform for interest requirements

SECTION 6 – 13 – AMENDMENTS

Section 6 through Section 13 all relate to moving public printing from the Office of the Secretary of State's budget to Legislative Council's budget and the policy changes needed in statute for this shift. These sections simply present these amendments to code.

SECTIONS 6 THRU 13

STATUTE CHANGE – PUBLIC PRINTING TO LEGISLATIVE COUNCIL

Updates Statute to Transfer Public Printing

- Moves \$271,335 to Legislative Council
- Updates statute references to "Legislative Council" rather than Secretary of State

SECTION 14 – AMENDMENT

Section 14 is the adjustment for the Secretary of State's salary.

SECTION 15 – EXEMPTION – STATE FISCAL RECOVERY FUND

Section 15 is carry-forward language for one-time funds of \$6 M received from the state fiscal recovery fund (ARPA) from last biennium for technology projects.

- \$5 M – Election Management System
- \$1 M – FirstStop Upgrade

SECTION 16 – EXEMPTION – STRATEGIC INVESTMENT AND IMPROVEMENTS

Section 16 is carry-forward language for one-time funds of \$1.5 M received from the strategic investment and improvements funds (SIIF) from last biennium for technology projects.

- \$1 M – Campaign Finance System
- \$500,000 – IT System Enhancements

SECTIONS 15 & 16

CARRY-FORWARD ONE-TIME ITEMS – LAST BIENNIUM

ARPA – SECT. 15 - \$6 M

- Election Management System - \$5,000,000 (Jan. '26)
- FirstStop Upgrade - \$1,000,000 (Mar. '26)

SIIF – SECT. 16 - \$1.5 M

- Campaign Finance System - \$1,000,000 (Jan. '26)
- IT System Enhancements - \$500,000 (May '26)

PROPOSED BUDGET HB 1002

	2025-2027 Legislative Base Level	House Version 1002	\$ Increase/ (Decrease) Compared to Legislative Base
Salaries and Wages	6,366,407	6,953,515	587,108
New & Vacant FTE Pool	-	148,177	148,177
Operating Expenses	4,984,331	7,155,382	2,171,051
Grants	25,000	25,000	-
Petition Review	8,000	8,000	-
Election Reform	4,830,808	9,227,814	4,397,006
Public Printing	271,335	-	(271,335)
Total Line Items	16,485,881	23,517,888	7,032,007
By Funding Source			
General Funds	7,141,710	9,440,819	2,299,109
Federal Funds	4,195,655	5,395,994	1,200,339
Special Funds	5,148,516	8,681,075	3,532,559
Total Funding Source	16,485,881	23,517,888	7,032,007
FTE	35	33	(2)

CURRENT LEGISLATIVE BILLS WITH POTENTIAL BUDGET IMPACTS

The following bills could have fiscal impact to the Office of Secretary of State's budget:

- SB 2230 – includes \$600,000 to support voter education on measures