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BUDGET PRESENTATION
SENATE APPROPRIATIONS - GOVERNMENT OPERATIONS DIVISION
SENATOR TERRY WANZEK, CHAIRMAN

SENATE BILL NO. 2002
JANUARY 23, 2023

TESTIMONY PRESENTED BY

MICHAEL HOWE, SECRETARY OF STATE

Chairman Wanzek and members of the Senate Appropriations - Government Operations Division. I am Michael Howe, Secretary of State, and I am here to provide greater information about our budget request and answer any questions you may have. To begin I'd like to give you a some brief background on our funding sources which will be helpful as we get into how our request differs from the Executive Budget Recommendation

FUNDING SOURCES - ISSUE WITH GENERAL SERVICE FUND (SPECIAL)

The Office of the Secretary of State has three main funding sources:

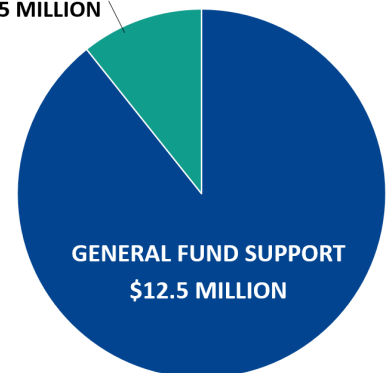
- General Funds - state general fund dollars
- Federal Funds - Help America Vote Act funding - election related (Election Reform line)
- Special Funds - General Services Fund - agency fees and saleable information (portion retained by agency, remaining deposited into general fund)

The General Services Fund (special) is the supported by fees received from a select number of UCC licensing, filings, and for information subscriptions available from the agency. The general services fund (special) will generate an estimated \$14 million in the current biennium, of which \$1.5 million will be retained by the agency based on fees allowed in statute (10%), with \$12.5 million being deposited to the general fund (90%). The original intent was that a portion of these fees with the agency in support of technology needed to administer these filings.

Technology costs to maintain multiple systems far outpace the revenue the agency is allowed to retain from this fund. General fund support is needed to ensure the integrity of technology systems into the future, or the ability to retain a greater portion of these dollars is needed to support systems.

SPECIAL FUNDS
GENERAL SERVICES FUND - \$14 M
2021-2023 BIENNIUM

SOS FEES RETAINED
UNDER STATUTE
\$1.5 MILLION



Systems currently supported by these special funds include:

- Central Indexing System (CIS) – maintains all filings related to various personal property liens to be completed electronically online - approximately 350,000 files.
- FirstStop – the engine for business with approximately 100 types of business filings – the continued implementation, enhancements, and maintenance.
- Website maintenance and any enhancements/customizations.

	21-23 Leg Base		General	Special	Federal	23-25 Exec Rec
Salaries	5,528,082.00	EXECUTIVE RECOMMENDATION BY SOURCE FUNDING	5,429,154	596,175	362,111	6,387,440
Operating	3,308,424.00		744,913	5,739,418	-	6,484,331
Grants	25,000.00		25,000			25,000
General - Petition	8,000.00		8,000			8,000
Election Reform	4,699,689.00			555,000	3,882,998	4,437,998
Public Printing	257,931.00		271,335			271,335
Grand Total By Fund per Bill	13,827,126.00			6,478,402	6,890,593	4,245,109

The Executive Budget Recommendation has \$4.835 in salaries, operating, and election reform coming from the special – general services fund in the 2023-24 biennium; and an additional \$1.5 one-time funding from the SIIF fund to total \$6.89 in special funds. Estimated receipts to be retained by the agency from the special - general services fund in 2023-25 is approximately \$2 million. This gap \$4.83 million is dollars we do not have the ability to retain and creates a situation where it isn't sustainable for the agency to meet critical technology infrastructure needs.

Our budget request reflects an increase in technology support to address this gap to adequately support systems.

REVISED BUDGET REQUEST - 2023-2025

The Office of Secretary of State is seeking support in three areas.

1. **STAFFING - \$1,615,610 general fund**
2. **TECHNOLOGICAL SYSTEMS & SUPPORT - \$3,000,000 (\$1.5M general fund + \$1.5 SIIF)**
3. **ELECTION COMPLIANCE & MODERINZATION - Supported by Staffing Request**

1. STAFFING

Repurpose/Reclass - \$300,000 General Fund

With the modernization of processes in the agency, the skillsets and responsibilities of our employees have changed significantly. The appropriate classification of these positions, along with salary reflective of the position, and the ability to address compression and administration issues are necessary to future recruitment and retention efforts.

Executive Recommendation supports \$100,000.

Proposed Shift in FTE Funding - \$890,610 General Fund

The agency currently has authorization for 4 FTEs that receive no general fund support. Due to the critical nature of these positions, we are seeking more appropriate salary administration support. Salary dollars for these FTEs equal \$890,610, which are currently supplemented by special – general services fund (\$560,000 = 2 FTEs) and federal funds (\$330,610 = 2 FTEs).

Funds would be redirected to support programs as follows:

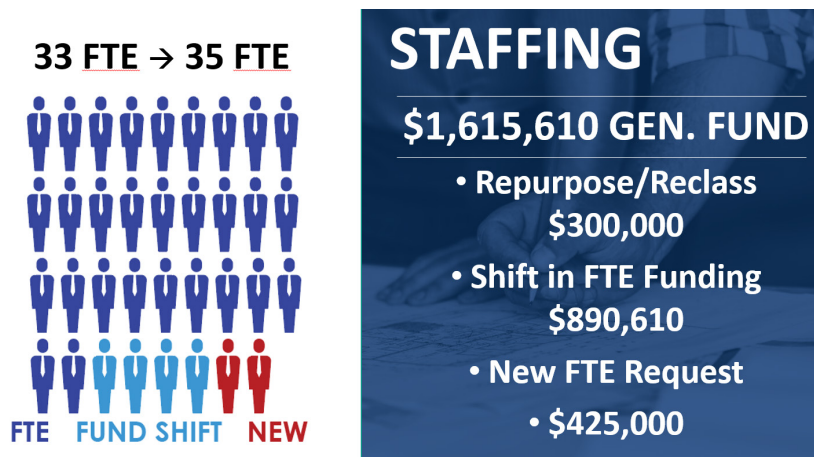
- Special – general services fund would be directed towards supporting IT/technology expenses;
- Federal funding currently used to support staffing would be redirected to support voter education and materials across the state.

Executive Recommendation - salary is included in special/federal lfund lines.

New FTE Request - \$425,000 General Fund

The agency is requesting support for 2 new FTEs. This includes 1 FTE in information management to assist in implementing new campaign finance technology; 1 FTE in elections to continue efforts to standardize voter experience in North Dakota. Total cost of these 2 FTEs is \$425,000.

Executive Recommendation supports \$213,608 in federal funds for 1 FTE elections, no support for 1 FTE information management.



Total Fiscal Impact

Total salary/staffing support funding requested is \$1,615,610). The agency is requesting support for these positions either through general funds or greater authority to retain funds in our special – general services fund line. We propose that \$200,000 of match dollars needed to secure 2023 Federal HAVA funding of \$1 M be a portion of this salary ask as noted later in this testimony.

2. TECHNOLOGICAL SYSTEMS & SUPPORT

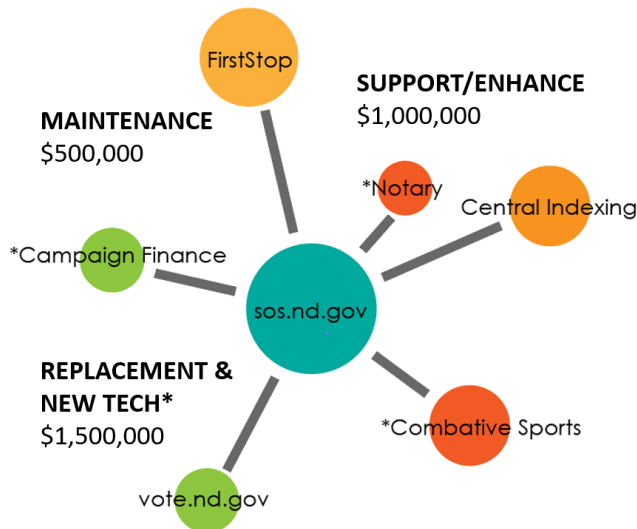
The Office of Secretary of State is seeking support for technology enhancements to continue modernization work across the agency. A quick summary of technology related projects includes:

- Campaign Finance System** – Replacement of this system is needed as the current software was initially built with a minimal budget and has limited functionality. The vendor who originally programmed the system no longer offers campaign finance software and North Dakota is the company’s only customer.
- Ongoing Software Support/Maintenance** – FirstStop, Central Indexing, and other software systems have on-going costs for licensing, upgrades and general system maintenance. These costs do not cover enhancements or customizations to create greater efficiencies, ease of user experience, or implementation of any prescribed legislative changes. The agency currently has a listing of over 50 enhancements that require funding for contracted services outside of our maintenance contract for FirstStop. These enhancements benefit the state’s businesses and lending authorities and create ease of doing business in North Dakota.
- Increased NDI Application Hosting Costs** – Support for increased hosting fees for systems residing on NDI servers.
- User Experience Enhancements** – The Office of Secretary of State will be moving its existing website to the State platform in the coming biennium. Our office currently maintains multiple sites and systems, none of which feel cohesive to one brand. The redesign of sites will include bringing the main website, as well as our elections’ website, into one unified platform for users to find valuable information regarding the services provided by the agency. In addition, as a benefit to the citizens of North Dakota, businesses, licensees, candidates, elected officials, and others utilizing our services, the agency seeks to implement a text message notification system. Users would be able to opt-in to the service and receive notifications, such as filing deadlines, voter information, candidate information, and more via text message. This would allow the public the ability to direct how they wish to receive information and alert them to important deadlines or news items, thus enhancing transparency in and access to government.

Total Fiscal Impact

We are requesting technology support of \$3 M – \$1.5 M in ongoing funding, and \$1.5 M coming from SIIF as one-time funding.

Executive Recommendation supports \$1.83 M, with \$1.5 M coming from SIIF as one-time funding.



TECHNOLOGY SYSTEMS

\$3 MILLION

ON-GOING
\$1.5M

ONE-TIME*
\$1.5M

3. ELECTION COMPLIANCE & MODERNIZATION

North Dakota has made critical investments for meaningful reform in providing support for the Central Voter File and Election Management System, and new voting equipment and electronic pollbooks approved and funded by the legislature in 2019. Resources are needed to continue to improve the election process, including training, standardization of processes and expectations, as well as supporting voter education materials. The purpose of the funds is to improve the administration of elections for Federal office, including to enhance election technology and make election security improvements to the systems, equipment and processes used in federal elections.

This administration believes HAVA dollars should support the creation of materials, training, and voter education, and is requesting general fund support for 2 existing FTEs currently paid for with federal dollars; and for the additional 1 FTE included in the Governor’s recommendation supported by federal funds.

ELECTION COMPLIANCE & MODERNIZATION

\$ SUPPORT IN OTHER ASKS

Repurpose Funds for Training Efforts to Support Elections

Salary shift provides \$200,000 state match to secure \$1 million - 2023 HAVA Funds



The Secretary of State will have approximately \$4,000,000 of Help America Vote Act federal funds available for the 2023-2025 biennium, and the opportunity to access an additional \$1,000,000 with a \$200,000 general fund match in March 2023. Use of general fund dollars to support these FTEs would meet match requirements for 2023 HAVA funds as proposed in the staffing portion of this testimony.

	Federal Advance	Fed Exp To 09/30/2022	State Match	State Exp to 09/30/2022
2020 HAVA	\$ 3,000,000	\$ -	\$ 600,000	\$ 600,000
2022 HAVA	\$ 1,000,000	\$ -	\$ 200,000	\$ 59,700
TOTAL Remaining	\$ 4,000,000	\$ -	\$ 800,000	\$ 659,700
Dollars available with 20% match in March 2023.				
2023 HAVA	\$ 1,000,000		\$ 200,000	

Spending projections for the available \$4,000,000 in HAVA funds are broken down below. If general fund support for staffing is provided, staff dollars will be redirected to education/training efforts.

2023-25 Biennium - \$2 million (estimated)

- Elections Software/Equipment - \$1.65
- Staffing - \$330,000
- Supplies/Support - \$50,000

2025-27 Biennium - \$2 million (estimated)

- Elections Software/Equipment - \$1.65
- Staffing - \$330,000
- Supplies/Support - \$50,000

SECRETARY OF STATE REVISED BUDGET REQUEST - 2023-2025

	2021-2023 Base Level	2023-2025 Executive Recommend	2023-2025 Revised Agency Request	Agency v. Exec. Recommend Incr(Decr)	% Chg from Exec to Revised
Salaries and Wages	5,528,082	6,387,440	8,079,997	1,692,557	30.6%
Operating Expenses	3,308,424	6,484,331	7,283,000	798,669	24.1%
Grants	25,000	25,000	25,000	-	
Petition Review	8,000	8,000	8,000	-	0.0%
Election Reform	4,699,689	4,437,998	4,827,240	389,242	8.3%
Public Printing	257,931	271,335	271,335	-	0.0%
Total Line Items	13,827,126	17,614,104	20,494,572	2,880,468	20.8%
By Funding Source					
General Funds	5,521,552	6,478,402	8,030,138	2,508,586	45.4%
Federal Funds	3,121,865	4,245,109	4,602,850	1,480,985	47.4%
Special Funds	5,183,709	6,890,593	7,861,584	2,677,875	51.7%
Total Funding Source	13,827,126	17,614,104	20,494,572	6,667,446	48.2%
FTE	33		35	2	