



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 2022-23 is October 1, 2022 through September 30, 2023.

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.

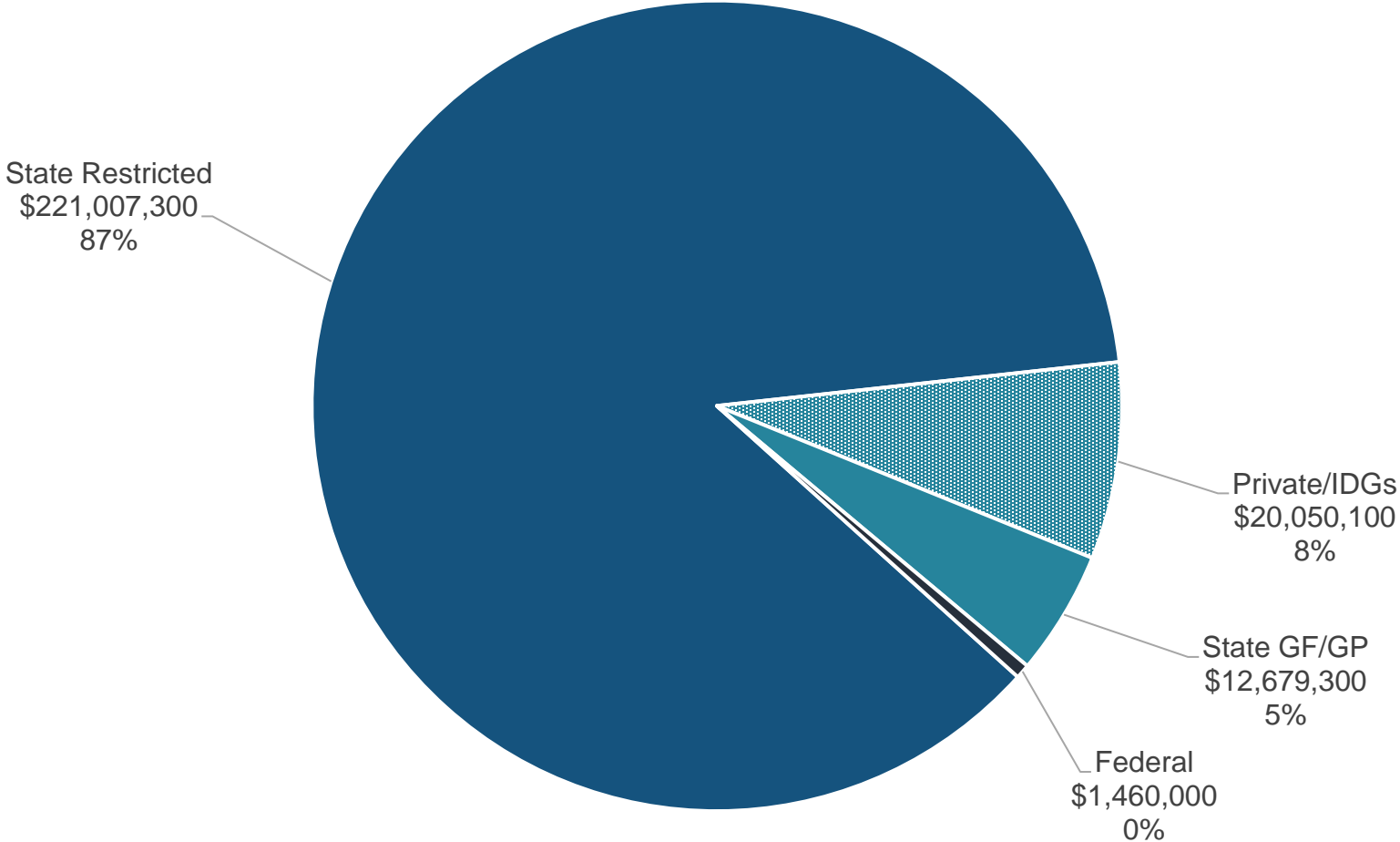
Funding Sources

FY 2022-23 Department of State Budget

Fund Source	Funding	Description
Gross Appropriations	\$255,196,700	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	\$235,196,700	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	221,007,300	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	\$12,679,300	Unrestricted revenue from taxes and other sources available to fund basic state programs and other purposes determined by the legislature

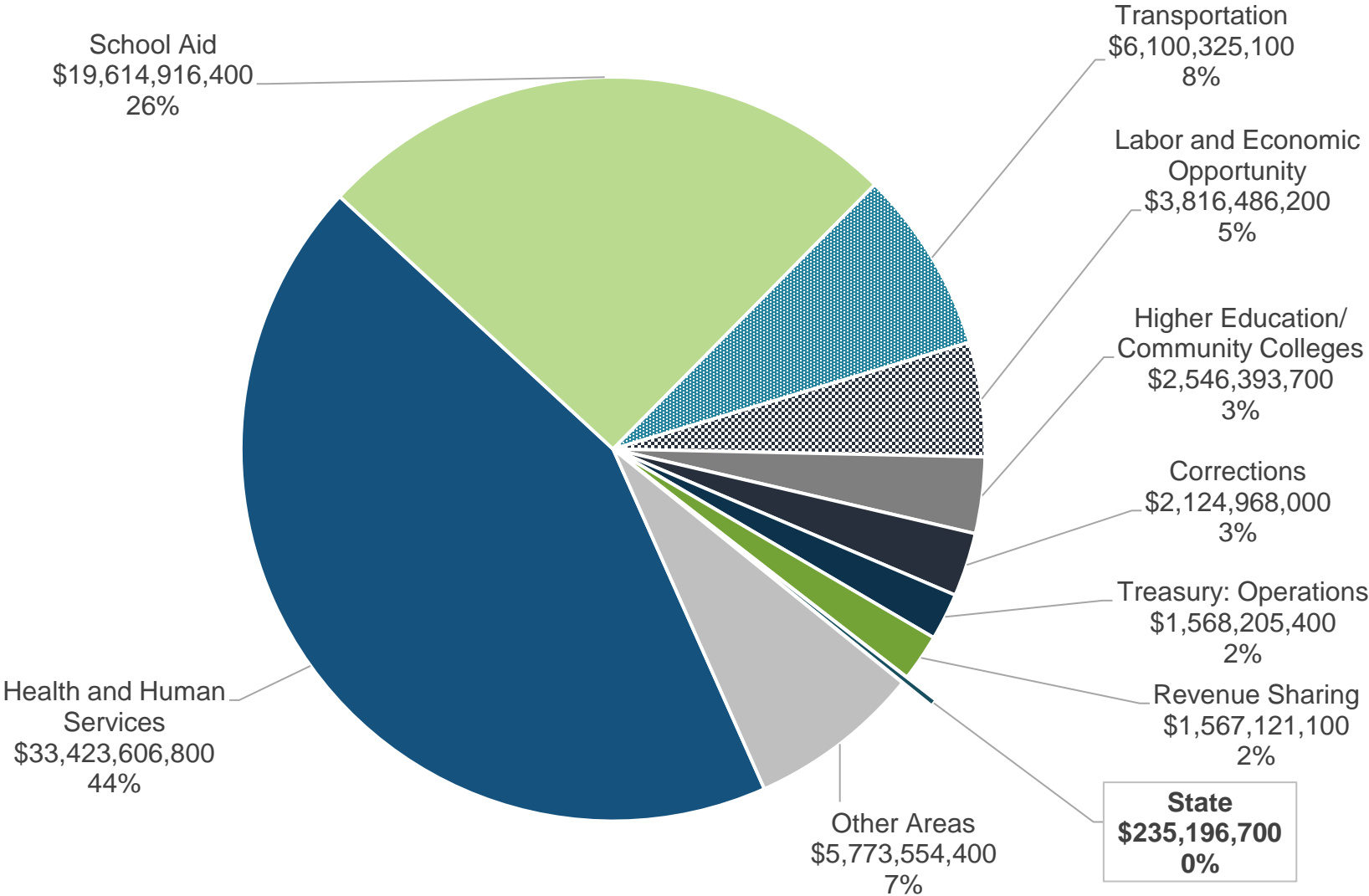
FY 2022-23 Fund Sources

Of the **\$255.2 million** Department of State (DOS) budget, **87%** is funded by state restricted revenue from the Transportation Administration Collection Fund (TACF), Driver Fees, and various other transaction fees collected by the department.



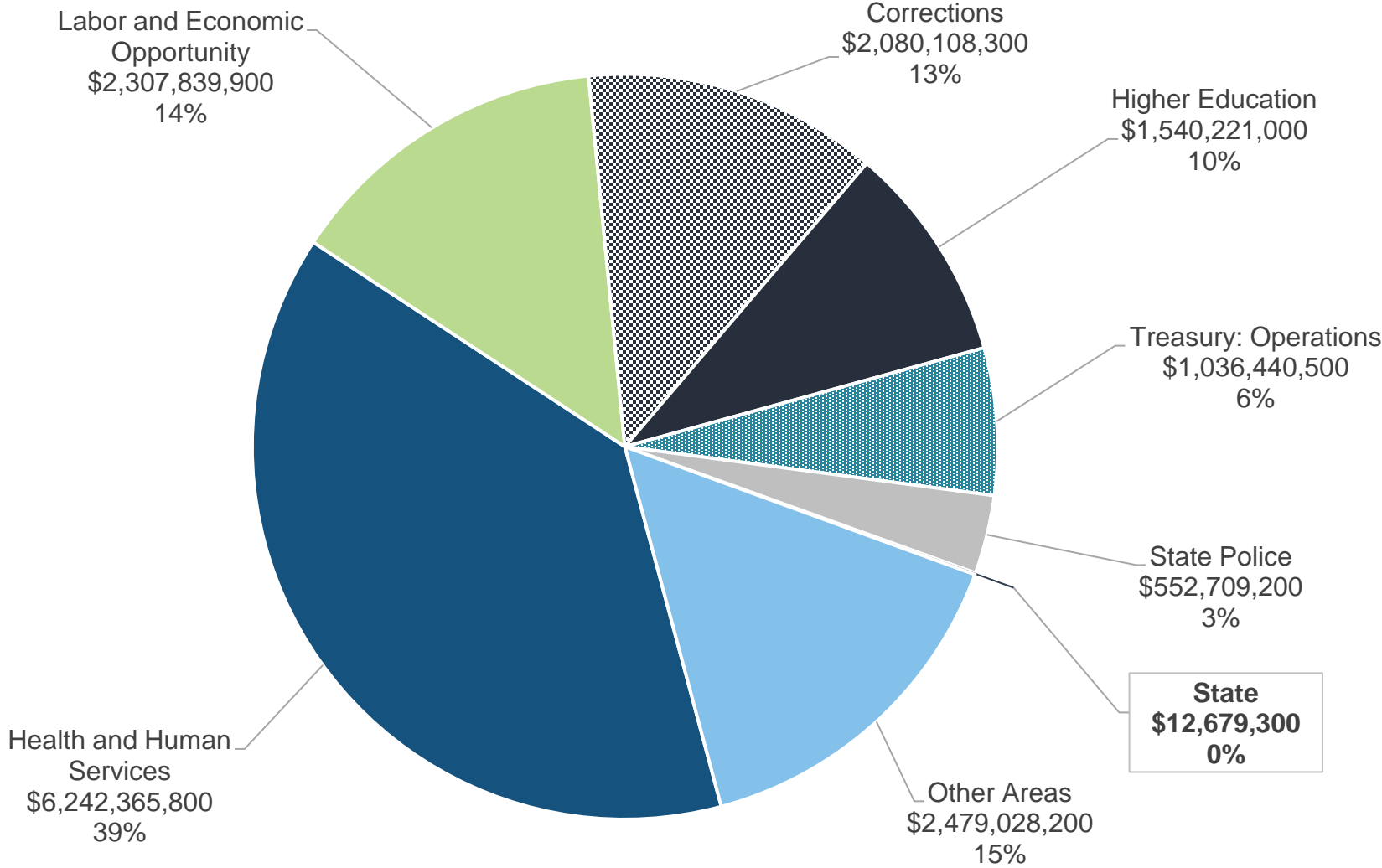
Department of State Share of Total State Budget

The Department of State budget represents less than 1% of the \$76.8 billion state budget (adjusted gross) for FY 2022-23.



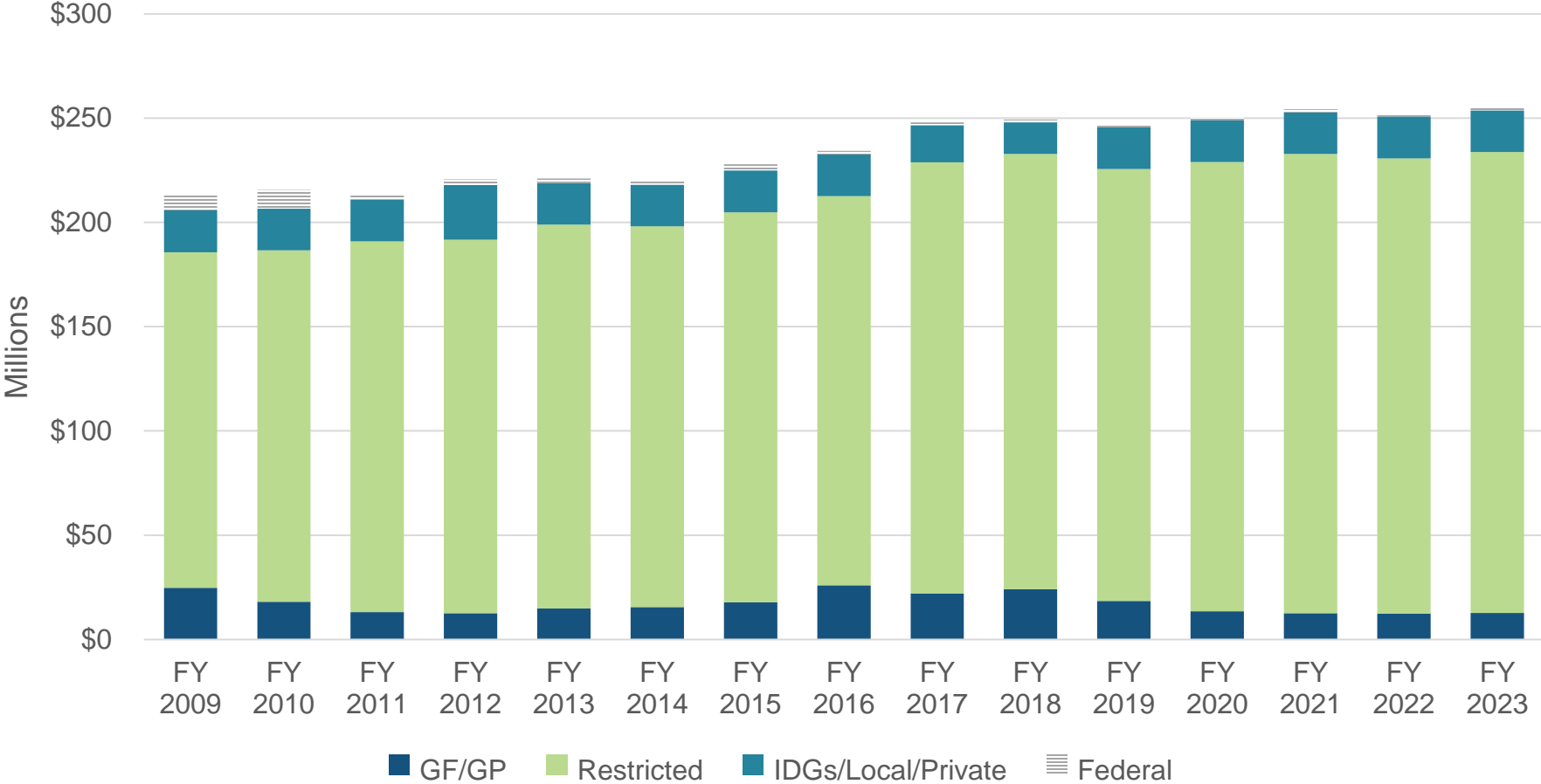
Department of State Share of Total GF/GP Budget

The Department of State budget represents less than **1%** of the state's **\$16.3 billion** GF/GP budget for FY 2022-23.



Department of State Funding History

Funding for the Department of State has grown gradually, by **19%**, since FY 2008-09. 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.

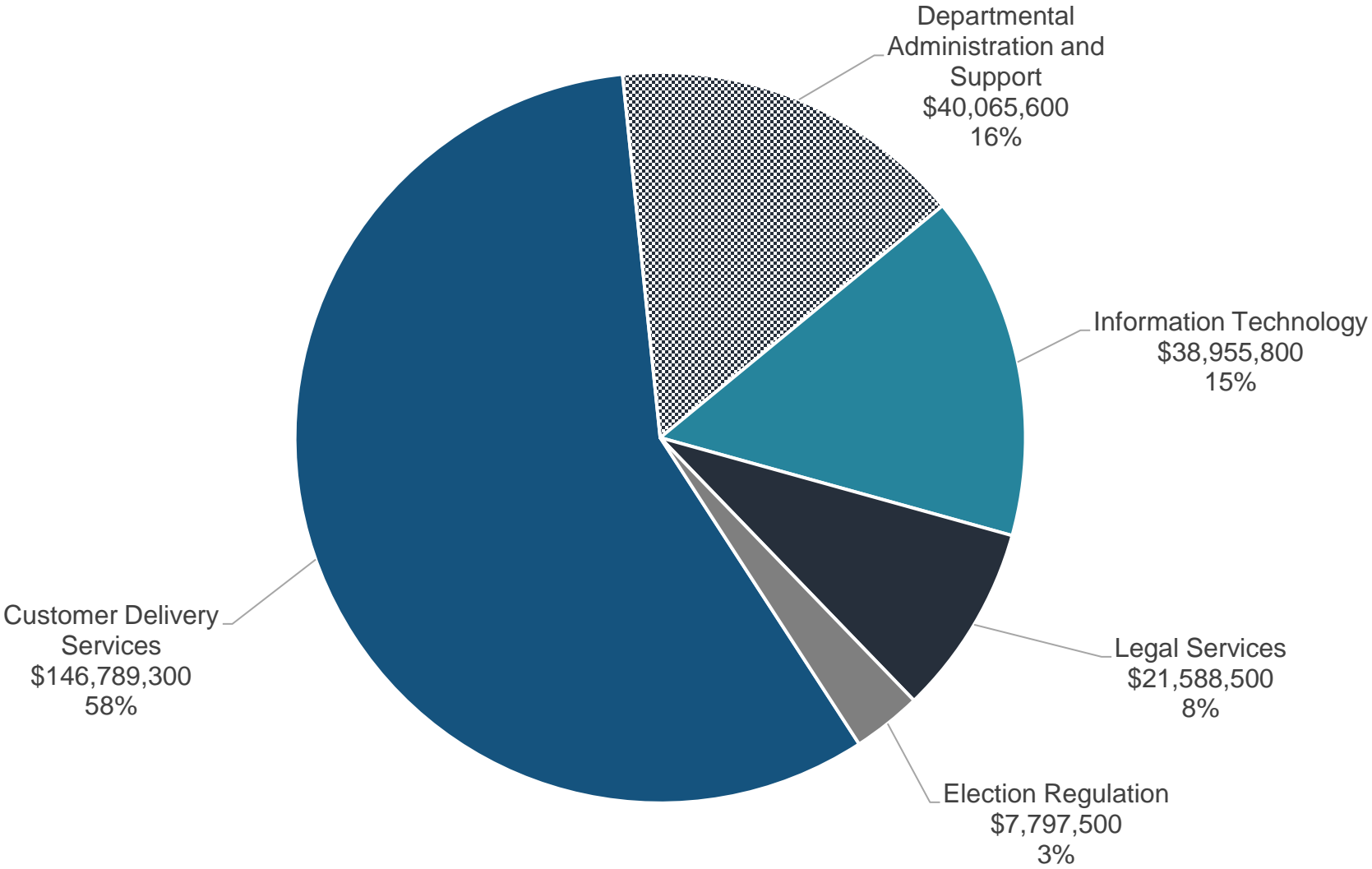
Customer Delivery Services: Includes branch operations, records processing, safety programs, and other related services.

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.

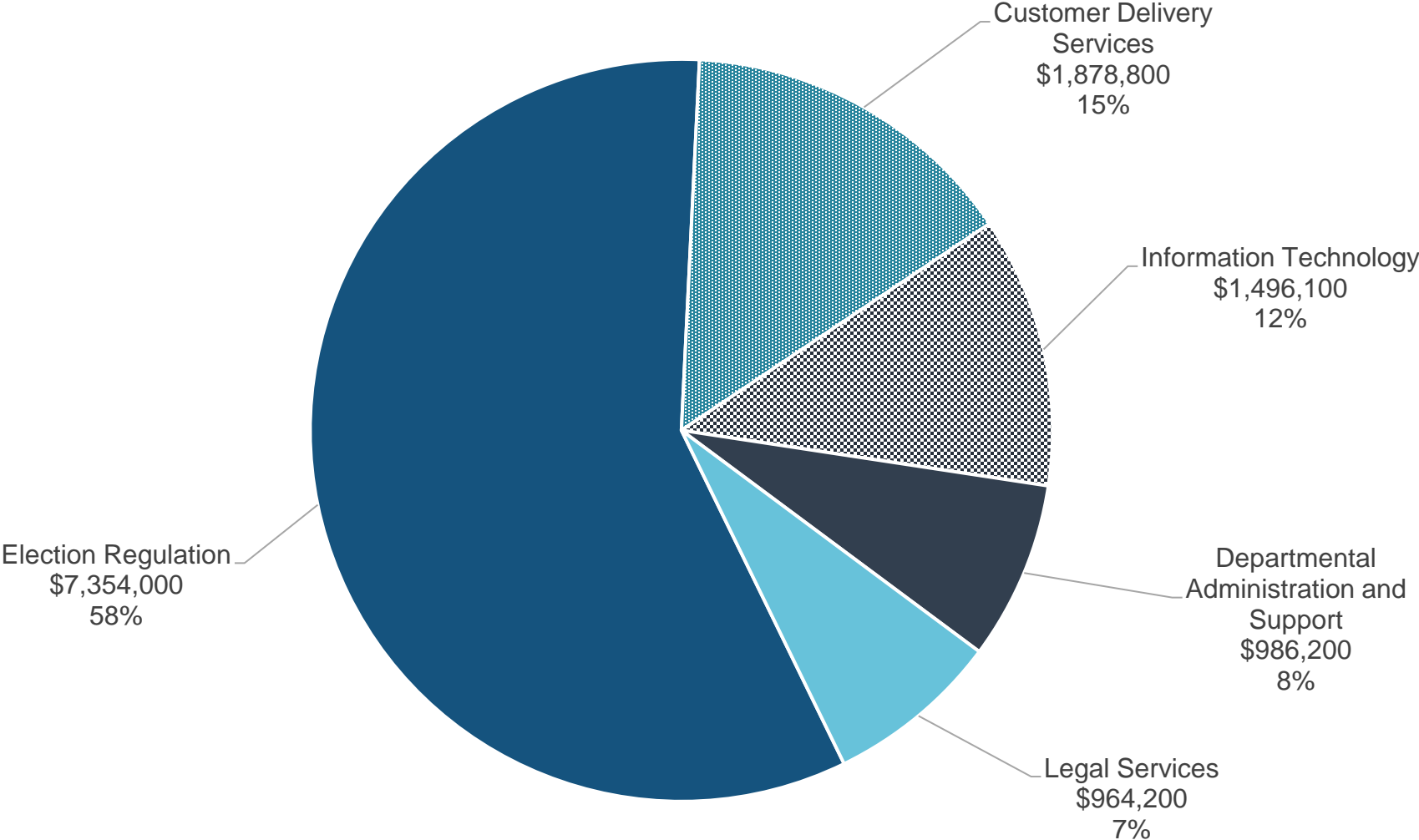
FY 2022-23 Gross Appropriations

Of the \$255.2 million Department of State budget, 58% supports customer delivery services including vehicle and driver services.



FY 2022-23 GF/GP Appropriations

Just under 5% of the department's total budget is funded with GF/GP revenue. Of the total \$12.7 million GF/GP, 58% is allocated to Election Regulation.



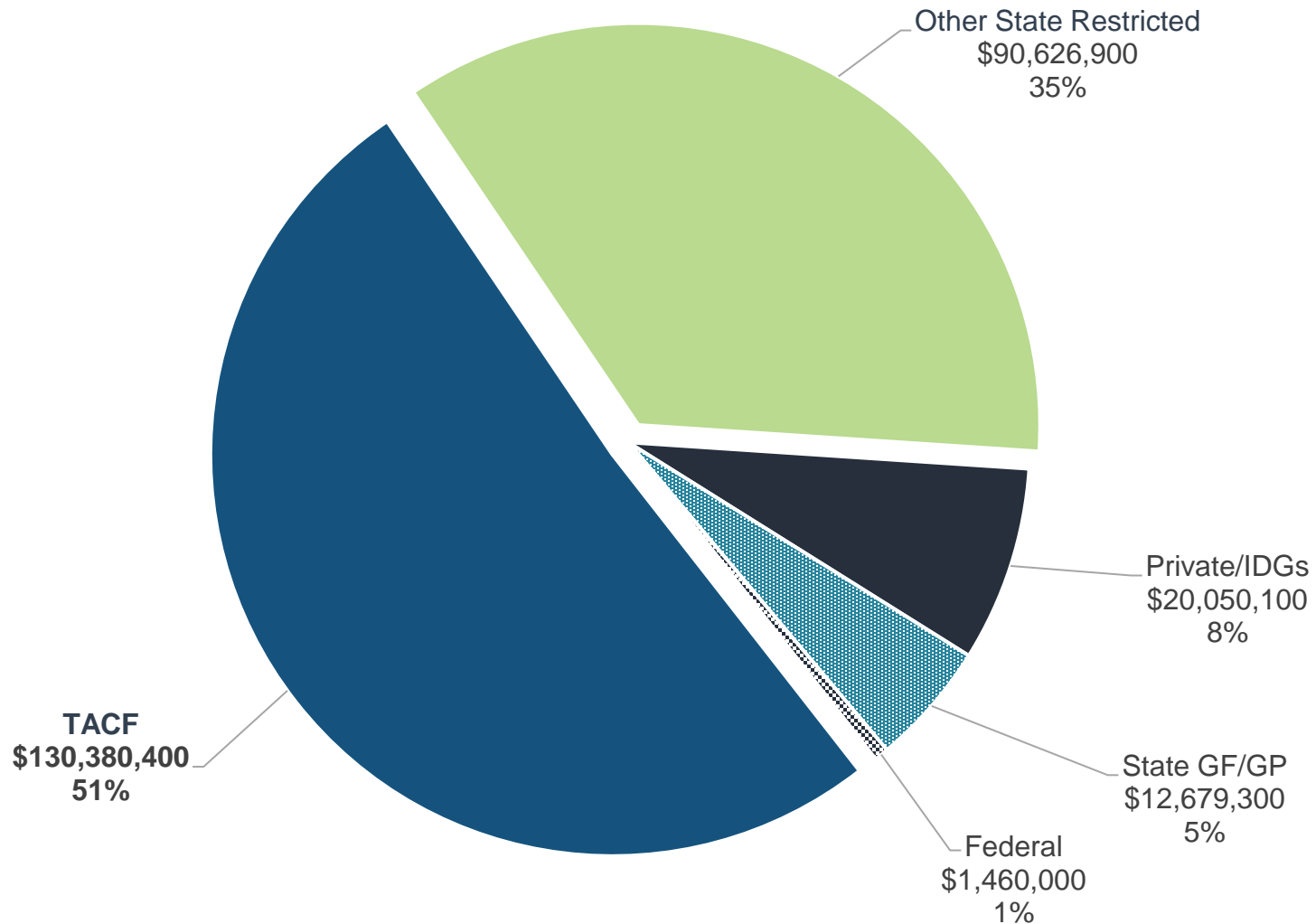
Major Budget Topics

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 third 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 **51%** of the department's entire budget.



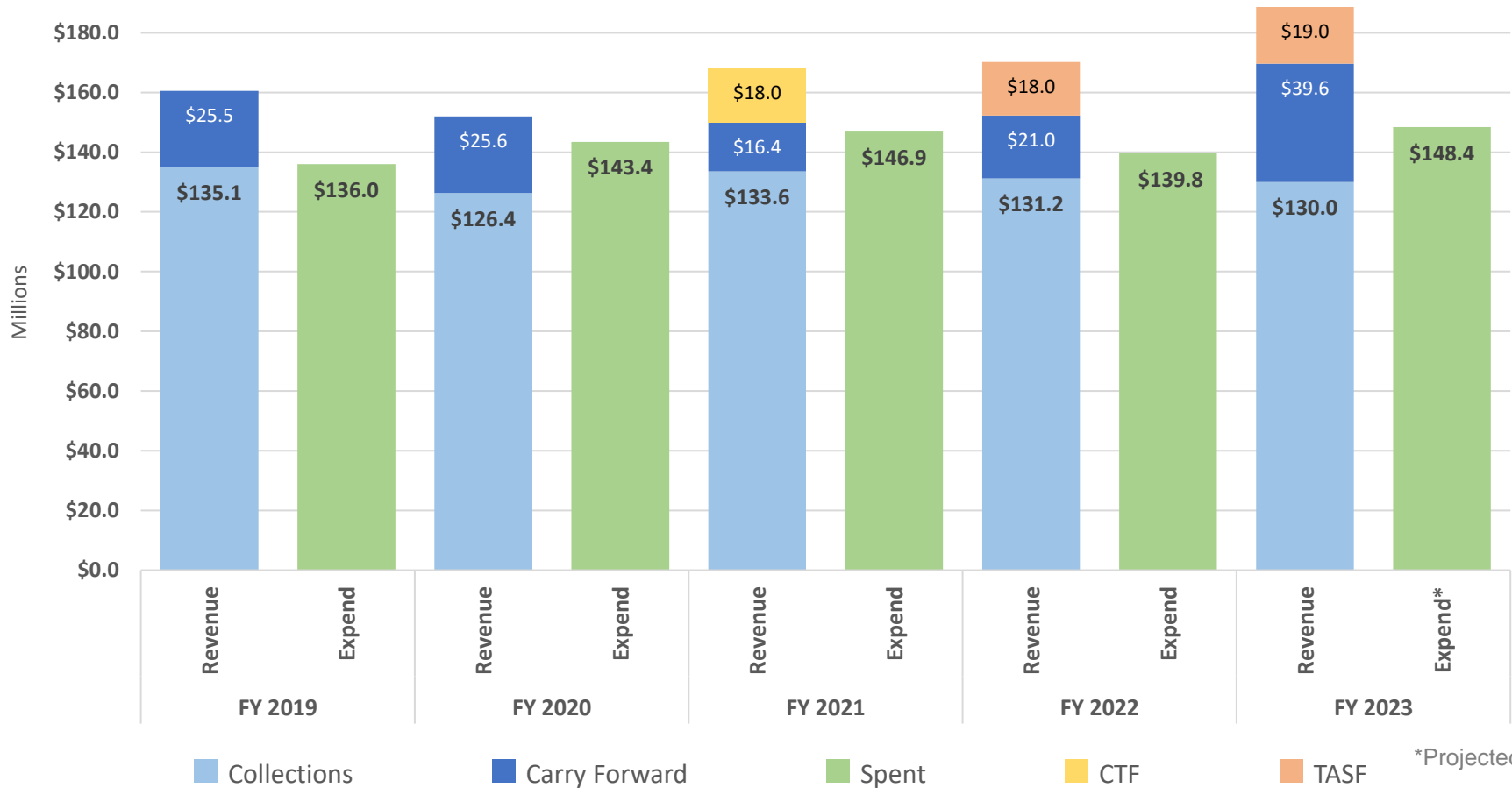
Transportation Administration Collection Fund

- 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 an imbalance between revenue and expenditures and expected revenue shortfalls.
- TACF revenues declined during the pandemic due to extensions of license, registration, and ID card expiration dates. A growing backlog of transactions contributed to a revenue shortfall in FYs 2020-21 and 2021-22.
- 2021 PA 38 transferred \$18.0 million from the Comprehensive Transportation Fund to TACF.
- 2021 PA 87 and 2022 PA 166 deposited \$18.0 million GF/GP into the newly created Transportation Administration Support Fund to support expenses covered by TACF to help offset the shortfall and replaced \$18.0 million authorization to TACF to support the shortfall with additional revenue.

Transportation Administration Collection Fund

Annual revenue collections have consistently been below spending in recent years resulting in anticipated revenue shortfalls in future years. Funds from the CTF and TASF have been appropriated to support TACF expenses.

TACF Revenue and Expenditures



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 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 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 of 2022

- Ballot Proposal 2, a state constitutional amendment approved by voters in November 2022, would provide various additional rights to voters and would result in new costs to the department for the following requirements:
 - **State Provided Ballot Drop-boxes** – At least one state-funded drop-box for every municipality and for every 15,000 registered voters for municipalities with more than 15,000 registered voters. The cost estimate shown below does not include ongoing replacement costs.
 - **Absent Voter (AV) Ballot and Application Postage** – State-funded prepaid return postage for AV ballot applications and AV ballots. The figure below is an estimate of costs for the next even-year election cycle. Costs are anticipated to diminish in future years.
 - **AV Ballot and Application Tracking System** – The state currently has a system to track AV ballots and applications through its Qualified Voter File computer system. It is not yet known if any modifications to the system would be required to comply with this provision and if federal funds would cover it.
 - **Local Clerk Election Administration Costs** – Local clerk offices will incur costs related to ballot drop-box security cameras and other peripheral equipment and administering early voting sites. It is not known if the state would need to assist in covering locals costs.

<u>Description</u>	<u>Est. Cost</u>
State-provided ballot drop-boxes. Ongoing replacement costs not included.	\$2,100,000
State-provided AV ballot/application postage. Estimates next even-year election cycle.	\$4,800,000
AV ballot/application tracking system	N/A
Local clerk costs	N/A
Total	≥\$6,900,000

Federal Help America Vote Act Funding

The legislature has appropriated federal funding for elections four times in recent years. Federal funding was provided through the Help America Vote Act (HAVA). An allocation has been federally authorized for 2022 but has not yet been appropriated by the state.

Fund balances remain for two appropriations of HAVA Election Security grants and one authorized but not state appropriated “to support activities to improve the administration of elections for federal office, including to enhance election technology and make election security improvements.”

<u>HAVA Grant</u>	<u>Appropriation</u>	<u>Remaining Balance</u>
Consolidated Appropriations Act 2018	\$10,707,000	\$711,100
Consolidated Appropriations Act 2020	12,054,000	11,934,000
CARES Act	11,247,800	0
Interest on Original HAVA Grants	1,855,000	0
Consolidated Appropriations Act 2022*	1,774,600	1,774,600
Total	\$37,638,400	\$14,419,700

* Not appropriated as of January 2023

For more information about the Department of State budget:

HFA Resources

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

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