

STATE OF MARYLAND

EXECUTIVE DEPARTMENT

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Office of the Secretary of State

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Fiscal Year 2026 Operating Budget

Response to Department of Legislative Services Analysis

House Appropriations Committee

Subcommittee on Public Safety and Administration

Delegate Jazz Lewis

January 23rd, 2025

Submitted by Susan C. Lee, Secretary of State

Thank you for inviting me to be with you today. As always, it is a privilege to speak before the General Assembly. Being appointed Secretary of State, by our wonderful Governor Wes Moore, has been the honor of my life. I appreciate the opportunity to discuss the budget of the Office of the Secretary of State (OSOS) for Fiscal Year 2026. Some key highlights follow:

- The OSOS FY26 allowance from the General Fund is \$3,720,111.
- The OSOS also is authorized to spend \$2,026,291 from its Special Funds to support our personnel costs and other operations.
- The total amount that the OSOS is allowed to spend in FY26 is \$5,746,402.
- The OSOS has typically received over \$4 million in payments for certain registration fees and for products and services we provide to our constituents. This is expected to continue in FY26.
- Of the over \$4 million in payments received by the OSOS, approximately \$2 million go into the Special Funds to be spent on the OSOS's personnel and operations.
- The remaining over \$2 million in payments received by the OSOS is transferred to the State's General Fund. (Our analysis shows that \$2.3 million was reverted by the OSOS to the General Fund in FY24.)

- As can be seen, the over \$4 million in payments received by the OSOS exceeds the \$3.7 million being provided by the State in the FY26 General Fund allowance.
- The \$5.7 million that the OSOS is allowed to spend in FY26 from the General Fund and the Special Funds are used to support 29 regular full-time employees, six permanent contractors, and all other operating costs, including payments for services to DoIT and outside contractors.
- The OSOS has five operating divisions and the Executive Team which I lead, and we pay for three attorneys assigned to our Office by the Attorney General. Our divisions are: the Address Confidentiality Program (ACP), Administration and Finance, Charities and Legal Service (CLS), Division of State Documents (DSD), and International Affairs.

Our critical agency operates within a very tight budget and limited staffing allocation in carrying out its many important, varied state functions. Our mission is to provide the citizens of Maryland with services, assistance, and information pertaining to the constitutional, statutory, and regulatory functions assigned to our Office. In addition, we operate the International Affairs Division with our limited funds and staff, as we help bring the world to Maryland, and the State of Maryland to the world.

Let me reiterate that the OSOS has an FY 2026 Governors Allowance of \$3,720,111 from the General Fund, while our revenue generates more than half of that amount for the General Fund. Our net cost to the state budget is minimal, but our value add is significant. In addition to our General Fund allowance, we have three targeted special funds to support our operations. The largest of these is the Charitable Enforcement Special Fund, which generates over a million dollars a year, the Notary Public Fund, which allows most of our notary functions to be covered through fees to notaries, and the Division of State Documents Special Fund, which is diminishing over time as it historically derived most of its revenue from printed sales of COMAR and the Register. In addition to these Special Funds, our Office remits over \$2 million a year to the General Fund. We also generate slightly over \$2 million in Special Funds to be spent on their limited purposes by our Office.

Additionally, the Office processes extraditions, pardons, and Executive Orders for the Governor. And many of you are familiar with our responsibilities related to flag protocol. It is our honor to serve Marylanders, and to assist your offices with constituent services. Please don't hesitate to reach out to my Deputy Secretary of State Michael Lore for any constituent-related concerns. I know how important it is to serve your constituents.

Before responding to the DLS analysis from Mr. Micah Richards, I would like to highlight some of the accomplishments of our divisions over the past fiscal year. From robust international engagement to the certification of documents for international use, to the production of official publications containing Maryland regulations, to the registration of charitable organizations and the processing of applications for Notary Publics and protecting the addresses of abuse victims with the Address Confidentiality

Program, our Office manages a broad scope of duties with superior customer service at its core.

Division of International Affairs

Governor Moore has prioritized investment in growth, and we are seeking to attract investment and market access across the world. This small agency takes the lead for the Executive Branch's global outreach and strategy through the Subcabinet on International Affairs. I serve as the chair of this body, whose members include the LG, Secretary of Transportation, Environment, Commerce, Agriculture, MHEC, and was recently updated through an Executive Order, which expanded membership adding the Maryland Military Department. With regular meetings and a comprehensive strategic plan in place, we are using the strong assets of Maryland effectively across agencies to promote Maryland internationally. We are working to make this Maryland's decade, and our small agency's global outreach is aiding this effort.

Our annual report for 2024 is being finalized and presented to the Governor this month. We have engaged over 62 countries in the past year on every continent except Antarctica. And we are helping to raise the State's profile with delegation visits from all around the world. We assisted the Governor's Office when they hosted King Abdullah II of Jordan, the first head of state visit to the State House in modern times. After the Francis Scott Key Bridge collapse disaster, we worked with the Administration and several consulates to ensure that families of victims were getting essential services. We have forged a strong relationship with Japan and helped to secure two Maryland-night events at the Ambassador's residence, where we strengthened our brand to a crucial ally. South Korea's ambassador visited Annapolis two separate times to strengthen their relationship with the Governor. Other major activities included co-hosting 300 diplomatic guests from 26 different countries at the Washington International Horse Show. And maintaining regular communications with our Sister States in France and China and tightening our relations with our partners such as Brazil, Germany, and Estonia.

A key focus of our work is to brand Maryland the global epicenter of advanced technologies, such as quantum computing, life sciences, cybersecurity, aerospace, and artificial intelligence.

We are also providing key climate leadership on the world-stage with partnerships with MDE, allies, and counterparts from around the globe who are innovating at a rapid pace.

Subnational diplomacy is more important than ever, and Maryland is engaging with the world, through our office, and with partner agencies. The Lieutenant Governor, a member of the Subcabinet on International Affairs, has been a true champion and partner in "the work".

Division of Charities and Legal Services:

Charity Division

- The division registers and regulates charities and professional fundraisers under the Maryland Solicitations Act. This is a unique collaboration with the Office of the Attorney General. Our Office has enhanced our investigative and enforcement capabilities.
- The division regulated over 19,377 charities across the globe and currently has 15 legal actions underway and concluded 45 charity enforcement investigations and actions in FY24. We project that figure to hover around 50 a year going forward due to enhanced resources. In the prior year, we added a full-time investigator and an Assistant Attorney General to our staff to help improve our reach. At no other time has Maryland been able to regulate charities more effectively.
- Every year, we additionally generate over \$2 million for the General Funds from registration and late fees.
- As mentioned earlier, in FY24 there were 19,377 registered charities with the Office. These charities range from small, volunteer-run organizations to large, multi-million-dollar nonprofit institutions. We work with them all to bring them into conformity with the law.
- When we are unable to bring them into conformity, we can bring enforcement actions. There were 12,912 enforcement actions for charities with delinquent registrations in FY24.

The Maryland Charity Campaign, the State's workplace giving program, raised nearly \$2 million during the 2024 campaign, \$1,848,228.34 just short of our goal.

Notaries Public

- The Division processed 13,968 new and renewing applications for notary public during FY24. We also are responsible for regulating the notary publics, totaling 70,000. In FY24, there were 43 notary enforcement investigations and actions.
- The new Notary database modernization is working, and we can use the database to help modernize our delivery of other services such as international certifications. We are proposing removing a step to process these documents at the Clerk of the Courts' offices and save taxpayers time and money.

Among other accomplishments, the agency processed extraditions, commutations, and pardons for the Governor, 366 extraditions were processed during FY24.

Division of Finance and Administration:

The Office of the Secretary of State annually certifies thousands of documents for international use. The Office serves several hundred walk-in customers each month in addition to an equal number of mail-in documents. This process has included a step to stop by the county Clerk of Court to verify the notary is licensed with the State. Since updating our notary database, we now can remove a step in the process and streamline a more efficient experience for customers. Additionally, we are reviewing the customer benefits of incorporating an e-Apostille process to deliver certified documents to our customers electronically. We view this as a step towards delivering the Administration's promise to modernize government, enhance customer experience, and cut useless red tape.

- The Office processed 59,000 documents certified for international use. The restoration of the processing fee from \$2 to \$5 has allowed us to contribute an additional \$177,000 to the General Fund annually.

Division of State Documents (DSD):

- We are prioritizing the modernization of our COMAR publication platform and the process to publish the biweekly Register. We have contracted with the Open Law Library (OLL) for the development of a new publishing process and database with the Electronic Filing System to replace the failing ELF 2.0 system. We have an allowance of \$250,000 to cover the costs of the operation and implementation of the system. The contract was approved by the Board of Public Works, and the Department of Information Technology paid for the development costs that were offset by an outside grant for the vendor to assist with the project. This company has already contracted to complete similar projects to publish Baltimore City and the [Code of the District of Columbia](#). Unlike the rollout of ELF 2.0, we are intentionally working with the vendor to secure an actual database, as required under law, and appropriate beta testing and training. The sole source vendor was identified by the DoIT contractor who completed a full study of solutions to our ELF problems, after a prior analysis identified over 50 failures. DoIT's study confirmed our earlier internal determination. The failed ELF 2.0 system that we inherited lacked a statutorily required database, and the rollout failed due to bad communication, design, and training. The poor product design and deployment combined with a series of retirements created challenges that we have largely overcome. We have worked hard to maintain employee morale despite the challenges with the system, and we have hired supplemental IT support. Additionally, we have hired some excellent new employees to replace the retired veterans, and we are confident the new vendor will provide a much-enhanced COMAR experience for the users. The new vendor, Open Law Library, is prioritizing user experience, accessibility, and training.

- The COMAR part of the product will be beta tested in February and be fully live in March. There is a subsequent process to integrate the Register with COMAR to create a human-centered approach to the software and enhance efficiency. The poorly designed ELF 2.0 created more redundant processes than the prior system, and design modernization is required. Agencies and the public will have much better and more useful experience searching Maryland’s regulatory code.
- We previously sold many printed copies of COMAR and the Register, but they are now available for free online. Many people view COMAR online, however, the platforms with which we have been licensing with have much better accessibility and usefulness than our site. Our site was initially designed to comply with the statutory requirements but not provide more than free access to the code. Securing a strong platform for the original source code will make us the first and last stop for many people curious about the law, and the rules of government. Maryland is proud of our laws and code, but the delivery system to access our regulatory code is outdated and in need of this update that we are providing.

Address Confidentiality Program (ACP):

- Active program participants – 1,867
- Shielded deeds – 115
- Certified Application Assistants (professional victim service providers trained by ACP staff to prequalify and refer Program applicants) 715 active to date.
- In FY23, ACP eligibility expanded to include any threatened Maryland resident regardless of their relationship to the would-be perpetrator.
- The ACP currently operates with five staff, with 2 funded by federal government VOCA funds, which may be drying up in the coming years. We are monitoring the availability of these funds going forward, but the structure of the revenue generation creates uncertainty and potential concerns for our stability with current resource dependence.

Operating Budget Recommended Actions:

1. Concur with Governor’s allowance

Office of the Secretary of State response:
The Office agrees with the recommendation

Respond to questions –

- 1) The Secretary of State should comment on the reason for the downward trend of delinquencies resolved despite increased contacts.

The increase in enforcement actions come by way of automated notices sent to charities from the online filing system which went live in August 2022. These notifications are sent to organizations prior to the organization becoming delinquent (which occurs 60 days after the date their registration is due). It gives the organization addition notifications so that they can maintain compliance without becoming delinquent. As the number of charities registered increases, the number of these notifications will also increase. As noted, the number of charities registered increased 5%, slightly less than the 8% more notifications.

Furthermore, the newer online system also more appropriately and accurately categorizes the status of an organization. In the previous system that was reliant on paper applications, an organization may have mailed their annual registration paperwork to us on time, however, due to delays in processing time, their status would appear as delinquent, even though we had already received their paperwork and their paperwork may have been complete. This would cause them to be temporarily counted as delinquent when in fact we had their paperwork but had not yet processed it. After processing their paperwork in this scenario, the organization would become current again and it would be counted as a delinquency resolved. The old system resulted in artificially high delinquencies, especially during busy filing periods, which resulted in an artificially high delinquencies resolved during those busy periods. The newer system does not categorize these online filers awaiting review as delinquent until after their annual registration is reviewed and it is determined whether their annual registration was complete or not, ensuring that an organization is not labeled as delinquent unless it is, in fact, delinquent. With more organizations filing online in FY24 than in FY23, the delinquencies resolved should naturally decrease a little bit due to this more accurate status tracking.

- 2) The Secretary of State should provide an update on the ELF 3.0 status and functionalities.

ELF 3.0 will have an operational COMAR site in March, with beta testing occurring in February. The system will be like the product of the same vendor (Open Law Library) created for the Code of the District of Columbia. <https://code.dccouncil.gov/us/dc/council/code>

The main benefits of this product are the searchability, connection links to other code, accessibility to those visually impaired, restoration of a database, cybersecurity protections, open-source availability, automatic updates to code, ease of use for all users including agencies, and correction of obvious typos in the code.