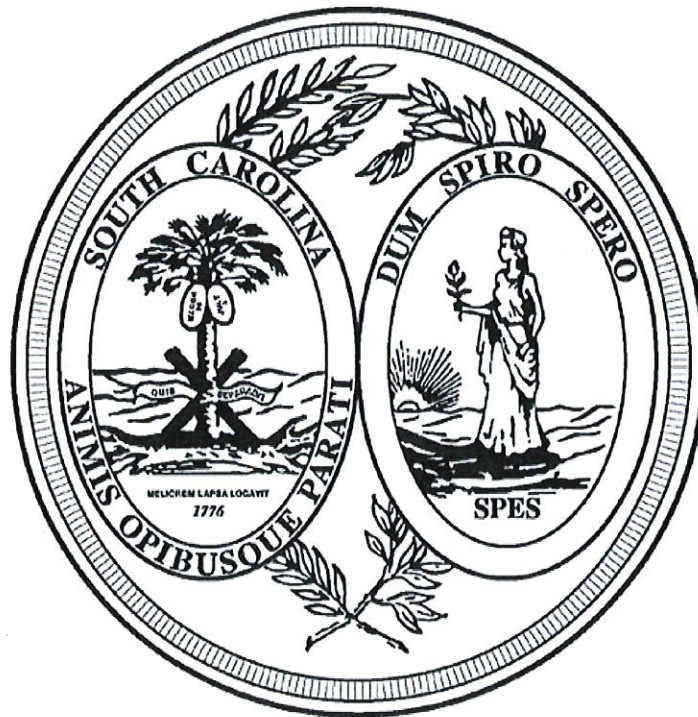


SECRETARY OF STATE'S OFFICE

BUDGET REQUEST

2021-2022

HOUSE OF REPRESENTATIVES



JANUARY 6, 2021

Secretary of State's Office Budget Request Fiscal Year 2021-2022

Key Officials	1
Budget Overview	2-3
Accountability Report Summary	4-5
Budget Request Summary	6
Proviso Request Summary	7-8
Agency Provisos	9-10
Carry Forward	11
FTE Breakdown	12
General Information	13

Secretary of State's Office Key Officials Fiscal Year 2021-2022

- **Mark Hammond, Secretary of State**
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- **Melissa Dunlap, Deputy Secretary of State and Chief Legal Counsel**
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- **LaToria Williams, Director of Administration**
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Secretary of State's Office Mission Statement and Budget Request Summary

The mission of the Secretary of State's Office is to provide innovative technology to enhance the transaction of business in the state, to serve the business community and members of the public with prompt and efficient customer service, to protect the charitable donors of South Carolina, and to fulfill all other statutory duties of the office.

Other Funds Authorization Increase-\$145,000

- The office is seeking an increase in spending authority in order to self-fund several information technology initiatives rather than asking for an increase in General Fund appropriations or requesting a large capital request.
- The requested amount is required to accomplish the statutorily mandated duties and mission of the Secretary of State's Office, including the enforcement of the Solicitation of Charitable Funds Act, SC Code §3-56-10, et seq.
- The application is in the process of being updated to provide security and other enhancements for customers, but funding is needed to complete the necessary upgrades.
- In addition, other improvements to the charities web application are necessary to provide increased functionality for public users and charities staff.
- An increase of \$145,000 in operating will be spread throughout the programs in the agency, and would encompass application support for information technology throughout the office with an emphasis on the charities database.

Other Funds Retirement, Health and Pay Allocation-\$40,000

- The requested amount would support all divisions of the agency that are staffed by employees whose compensation is supported by other funds. Therefore, all goals and strategies that the office seeks to meet would be impacted by the fulfillment of this funding request.
- The Secretary of State's Office has 14 FTEs supported by other funds. The requested amount would support the 2% Pay Plan Allocation. With increasing rates, the Secretary of State's Office needs an increase in its other funds authorization in retirement, health and dental to cover the employer portion.

New Proviso-Charity Fine Revenue-\$100,000

- Currently, the Secretary of State may retain administrative fine revenue collected pursuant to SC Code §33-56-140 in the amount of \$200,000.
- In FY 2020-21, the agency collected \$382,318 in fine revenue. This fine revenue is collected from violations of the Solicitation of Charitable Funds Act.
- The agency is requesting that any additional fine revenue not to exceed \$300,000 be retained to assist with the expenses for enforcement of the Solicitation of Charitable Funds Act. Fine revenue received over \$300,000 would be forwarded to the General Fund.

Amend Proviso- UCC Increase in Revenue Retained from Filing Fees-\$70,000

- The amendment would allow the Secretary of State to retain an additional \$70,000 in filing fees collected for UCC filings for the administration of the UCC division. Revenues from fees raised

pursuant to SC Code §36-9-525(a) for the filing of Uniform Commercial Code documents may be retained by the Secretary of State for purposes of UCC administration.

- This proviso was last amended in FY 2012-13, which increased the amount retained by the agency from \$120,000 to \$180,000.
- The agency is requesting an increase of \$70,000 to aid with supporting the costs of staff and operating the division. In FY 2020-21, the agency returned \$597,325 in revenue collected from UCC filings to the General Fund.

Secretary of State's Office Accountability Report

Summary Fiscal Year 2019-2020

- In FY 2019-2020, the Secretary of State returned \$8,467,043.41 to the State General Fund, while receiving state appropriations of only \$1,246,839.00
- The Secretary of State's Office is integral in the transaction of business in the state, and duties of the office are mandated by statute.
- Failing to accomplish our goals and objectives would have a detrimental impact on business and the economy in South Carolina, since articles forming, amending and dissolving businesses are filed in the Secretary of State's Office.
- The customers we serve include individual members of the public, business entities, nonprofits, charitable organizations, lending institutions, the legal community, accountants, state agencies, and members of the legislative and executive branches of government.

Accountability Report Highlights

- The new Charities Division application for public interface is now mobile friendly and works great on phone and tablets. In FY 2019-20, the agency made numerous Business Entities and Uniform Commercial Code modifications and enhancements, completed an in-house application for employment agencies, and implemented Chrome capability updates.
- In FY 2019-20, we continued to expand the functionality of our Business Entities Online application. The online adoption for business filings rose to 81.4% as of June 30, 2020. This is a nine percent increase from FY 2018-19.
- In FY 2019-20, the Secretary of State's Office opened 28 counterfeit investigations, and participated in 22 counterfeit raids that led to nine arrests, 19 cease-and-desist orders, and the seizure of \$3,132,631 in counterfeit merchandise. Staff continued to raise awareness of the negative impact of counterfeit goods by presenting to six organizations throughout the state.
- In FY 2019-20, we continued to expand the functionality of our Business Entities Online application. The online adoption for business filings rose to 81.4% as of June 30, 2020. This is a nine percent increase from FY 2018-19.
- In spite of the Covid-19 pandemic, there was an increase in the number of business filings during FY 2019-20. The number of Uniform Commercial Code filings increased by 15% percent from the previous year, from 102,347 filed in FY 2018-19 to 117,819 filed in FY 2019-20.
- The number of corporate filings increased by two percent, from 95,778 filed in FY 2018-19, to 98,077 filed in FY 2019-20. The total number of business filings for FY 2019-20 was 215,896, up nine percent from the 198,125 filed in FY 2018-19.

- In FY 2019-20, 14,144 charitable organizations registered or filed annual applications for registration exemption with the Secretary of State's Division of Public Charities. Of these filings, 64.5% were filed using the Secretary of State's Online Charities System.
- The Charities Division also filed 3,826 professional fundraiser registrations, fundraising contracts and joint financial reports. The Charities Division assisted 19,119 customers with phone calls, 7,231 of which were received during the first phase of the Covid-19 pandemic from the end of March through June 30, 2020.
- The Secretary of State's Office collected \$383,318 in fine revenue for violations of the Solicitation of Charitable Fund Act in FY 2019-20.
- In FY 2019-20, the Secretary of State commissioned 17,604 notaries public. Currently, there are over 143,371 commissioned notaries public in South Carolina who play an important role in the prevention of fraud.

FY 21-22 Budget Priorities Summary

Agency Name: Secretary of State

Budget Priorities		Funding					FTEs					
Priority No.	Priority Type (recurring/ non-recurring /other funds adjustment/ federal funds adjustment)	Priority Title	Priority Description	Recurring	Non - Recurring	Other	Federal	Total	State	Other	Federal	Total
1	Recurring	Other Funds Authorization Increase	Other funds authorization increase of \$145,000 to assist with operating throughout all programs in the agency.	\$145,000				\$145,000				
		Other Funds Retirement, Health and Pay Allocation	Other funds increase to support the employer portion increase in retirement, health and dental.									
2	Recurring			\$40,000				\$40,000				

Constitutional Subcommittee Proviso Request Summary FY 2021-22

Proviso # in FY 19-20 Act	Renumbered FY 21-22 Proviso #	Proviso Title	Short Summary	Agency Recommended Action (keep, change, delete, add)
96.1	UCC Filing Fees		Revenues from the fees raised pursuant to Change SC Code Section 36-9-525(a), not to exceed \$180,000, may be retained by the Secretary of State for purposes of UCC administration.	
96.2	Charitable Funds Act Disclosure Violations		The Secretary of State shall refer to the Delete Attorney General for investigation under SC Code Section 33-56-145 of the Solicitation of Charitable Funds Act any person who is alleged to have violated the mandatory disclosure requirements of Section 33-56-90 of the Act, and who has been fined \$10,000 or more for those violations.	
96.3	Charitable Funds Act Misrepresentation Violations		The Secretary of State shall refer to the Delete Attorney General for investigation under SC Code Section 33-56-145 of the Solicitation of Charitable Funds Act any person who is alleged to have violated the misrepresentation provisions of Section 33-56-120 of the Act, and who has been fined \$10,000 or more for those violations.	
117.2	GP: Travel - Subsistence Expenses & Mileage		Travel and subsistence expenses, whether Keep paid from state appropriated, federal, local or other funds, shall be allowed in accordance with the following provisions: C) The Governor, Lieutenant Governor, Secretary of State, Comptroller General, Attorney General, State Treasurer, Adjutant General, Superintendent of Education and the Commissioner of Agriculture shall be reimbursed actual expenses for subsistence.	

117.73

GP: Fines and Fees
Report

Keep

In order to promote accountability and transparency, each state agency must provide and release to the public via the agency's website, a report of all aggregate amounts of fines and fees that were charged and collected by that state agency in the prior fiscal year. The report shall include, but not be limited to: (1) the code section, regulation, or proviso that authorized the fines and fees to be charged, collected, or received; (2) the amount of the fine or fee; (3) the amount received by source; (4) the purpose for which the funds were expended by the agency; (5) the amount of funds transferred to the general fund, if applicable, and the authority by which the transfer took place; and (6) the amount of funds transferred to another entity, if applicable, and the authority by which the transfer took place, as well as the name of the entity to which the funds were transferred.

Charity Fine Revenue

The Secretary of State may retain Add administrative fine revenue collected pursuant to SC Code §33-56-160 up to \$300,000 to offset the expenses of enforcing the Solicitation of Charitable Funds Act.

Secretary of State's Office Provisos

Fiscal Year 2021-2022

Proviso #1- Change

96.1. (SS: UCC Filing Fees) Revenues from the fees raised pursuant to Section 36-9-525(a), not to exceed ~~\$180,000~~\$250,000, may be retained by the Secretary of State for purposes of UCC administration.

Proviso #2- Delete

96.2. (SS: Charitable Funds Act Disclosure Violations) The Secretary of State shall refer to the Attorney General for investigation under SC Code Section 33-56-145 of the Solicitation of Charitable Funds Act any person who is alleged to have violated the mandatory disclosure requirements of Section 33-56-90 of the Act, and who has been fined \$10,000 or more for those violations.

Proviso #3- Delete

96.3. (SS: Charitable Funds Act Misrepresentation Violations) The Secretary of State shall refer to the Attorney General for investigation under SC Code Section 33-56-145 of the Solicitation of Charitable Funds Act any person who is alleged to have violated the misrepresentation provisions of Section 33-56-120 of the Act, and who has been fined \$10,000 or more for those violations.

Proviso #4- Keep

117.20- (GP: Travel - Subsistence Expenses & Mileage) Travel and subsistence expenses, whether paid from state appropriated, federal, local or other funds, shall be allowed in accordance with the following provisions: C) The Governor, Lieutenant Governor, Secretary of State, Comptroller General, Attorney General, State Treasurer, Adjutant General, Superintendent of Education and the Commissioner of Agriculture shall be reimbursed actual expenses for subsistence.

Proviso #5- Keep

117.73 - (GP: Fines and Fees Report) In order to promote accountability and transparency, each state agency must provide and release to the public via the agency's website, a report of all aggregate amounts of fines and fees that were charged and collected by that state agency in the prior fiscal year. The report shall include, but not be limited to: (1) the code section, regulation, or proviso that authorized the fines and fees to be charged, collected, or received; (2) the amount of the fine or fee; (3) the amount received by source; (4) the purpose for which the funds were expended by the agency; (5) the amount of funds transferred to the general fund, if applicable, and the authority by which the transfer took place; and (6) the amount of funds transferred to another entity, if applicable, and the authority by which the transfer took place, as well as the name of the entity to which the funds were transferred.

Proviso #6-Add

The Secretary of State may retain administrative fine revenue collected pursuant to SC Code §33-56-160 up to \$300,000 to offset the expenses of enforcing the Solicitation of Charitable Funds Act.

Secretary of State's Office Carryforward

Fiscal Year 2019-2020

Balance Display: G/L Accounts For the Ledger ZL

Document Currency		Document Currency		Document Currency				Individual Account	
Account Number	1000000000 CASH DUE TO/FROM								
to	1199999999								
Company Code	SC01		State of South Carolina						
Fiscal Year	2020								
Display More Chars									
All Documents in Currency		*		Display Currency		USD		Company code currenc	
Period	Debit	Credit	Balance	Cumulative balance					
Bal. Carryfor...				1,392,590.91					
1	8,034,557.34	6,349,754.43	1,684,802.91	3,077,393.82					
2	3,198,909.05	2,642,620.98	556,288.07	3,633,681.89					
3	2,346,760.17	1,678,044.27	668,715.90	4,302,397.79					
4	2,987,126.08	2,412,111.17	575,014.91	4,877,412.70					
5	2,645,111.27	2,088,401.69	556,709.58	5,434,122.28					
6	1,773,661.08	1,404,290.38	369,370.70	5,803,492.98					
7	2,938,189.46	2,338,386.70	599,802.76	6,403,295.74					
8	3,547,242.39	2,703,160.14	844,082.25	7,247,377.99					
9	2,826,755.82	2,062,453.18	764,302.64	8,011,680.63					
10	2,412,873.42	1,881,609.44	531,263.98	8,542,944.61					
11	3,062,949.87	2,312,656.03	750,293.84	9,293,238.45					
12	4,415,146.20	3,509,623.92	905,522.28	10,198,760.73					
13	33,862,234.72	42,323,081.90	8,460,847.18-	1,737,913.55					
14				1,737,913.55					
15				1,737,913.55					
16				1,737,913.55					
Total	74,051,516.87	73,706,194.23	345,322.64	1,737,913.55					

**Secretary of State's Office FTEs
Fiscal Year 2021-2022**

Authorized FTEs- 33

Filled FTEs- 33

Vacant FTEs- 0

Office of the Secretary of State
 Other Funds Authorization Increase for FY 2021-2022
 Requested Amount \$145,000
 Breakdown of Proposed Possible Expenditures

Item 1	Charities, Professional Fundraisers & Raffles Application Upgrade to complete project to provide needed updates to in-house application for registration, filing of financial reports and accessing information on charitable organizations to match newly updated public interface application.	\$105,000
Item 2	IT Projects to include storage equipment for back-up of software and purchasing of licensing for Windows 10 Enterprise.	\$40,000
	Total	\$145,000

An increase in other funds authorization in the amount of \$145,000 would allow the Secretary of State's Office to provide many of the requested items that need funding. The increase in other funds authorization would allow improvements to the charities web application are necessary to provide increased functionality for public users and charities staff.

The charities/raffles/professional fundraiser web application is presently undergoing a modernization process to provide customers with expanded online offerings to include mobile and tablet capabilities. In addition, other improvements to the charities web application are necessary to provide increased functionality for public users and charities staff. If the funds are not received, the necessary upgrades to the application cannot be made.