Office of the Secretary of State

Response to Department of Legislative Services Analysis and Recommended Actions

Fiscal Year 2016 Operating Budget Hearing

House Appropriations Committee (APP)
Public Safety and Administration Subcommittee

Chairman Keith E. Haynes
February 5, 2015

Senate Budget & Taxation Committee (B&T)
Health and Human Services Subcommittee

Chairman Richard S. Madaleno, Jr.
February 6, 2015

STATE OF MARYLAND
EXECUTIVE DEPARTMENT
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Recommended Actions

1. **Add the following language:**

   Provided that 1 regular position (002079) is abolished to reflect the loss of funds for the position due to cost containment

Office of the Secretary of State response:

The Office strongly opposes this recommendation.
The DLS recommended action will have a significant negative impact on the ability of the Office to continue to provide high quality service to the State, its businesses and citizens. It has been the intent of the Office to hold the PIN (002079) vacant until the end of the 2015 fiscal year in order to assist in addressing the FY 2015 cost containment obligation. For fiscal year 2016, the Office plans to repurpose the PIN to help aggressively address the delinquencies and other work flow challenges of the charity department.

In the early 2000's the staff at the Secretary of State was over 40 employees; the current number has been reduced to 25. The Office is one of the most diverse agencies in Maryland with nearly 40 different statutorily mandated duties. The areas of responsibility for these programs have increased including the Maryland Charity Campaign, applications from charitable organizations, Notaries, and the Address Confidentiality Program. Additionally, funding challenges and staff shortage has resulted in mounting complaints from the public about delays and declining service.

The elimination of any agency PIN will further stretch already strained staff resources and lead to unreasonably high job demands that could result in greater processing backlogs. In order to achieve a higher level of service and to prevent any reoccurrence of workflow backlogs it is vital that this PIN remain with the Office.

The Office is asking the Committee not to adopt the recommendation to abolish the regular position but instead allow the agency to retain the PIN as it is essential to the everyday operations of the Office.

2. **The agency should comment on its progress since the interim report on the electronic filing system and hiring an AAG.**

Office of the Secretary of State Response:

Since the summer of 2014, the workgroup has studied the information that should be reported to the Secretary of State by the nonprofit community. As a result, the workgroup recommended a number of changes to all of the charity forms and the Office of the Secretary of State has updated the documents and created new instructions for each form. Copies of the forms are included.

The Office of the Secretary of State is moving towards electronic filing for charitable registrations. Staff had a preliminary meeting with NICUSA, Inc. (NIC), the Department of Information Technology's (DoIT) master IT contractor for self-funded e-Government services projects. NICUSA provides various e-Government products and services including design, development, hosting, operation, maintenance and marketing. We are in the very early stages of redesigning the internal charities database system which will be the foundation for the online application system. The new online system, as well as the upkeep, will necessitate a full time computer programmer costing approximately $50,000. This is to be underwritten by the charity special fund.

In 2015, the workgroup will focus attention on effective and efficient ways to collect registration documents and fees with consideration on how that information may best be shared with other agencies and the public.

Registration Statement for Charitable Organizations (COR-92)

Office of the Secretary of State, State House, Annapolis MD 21401 Telephone: 410-974-5534

Effective October 1, 2014, the Annual Charity Registration Fee for non-profits receiving more than $500,000 in charitable contributions increased from $200 to $300.

1. Fee Submitted $_____ 2. Month Fiscal Year Ends _____ 3. EIN _____

4. Name _____

If name under which solicitation is made is different from above, indicate here:

_____

5. Mailing Address of Charity _____

Address of Physical Location _____

6. County _____ 7. Telephone _____ 8. FAX _____

9. Email _____

10. Names and addresses of any chapters, branches, or affiliates in Maryland:

_____

_____

_____

11. Names and home or alternative business addresses of officers, including principal salaried executive officers:

_____

_____

_____

12. Names and home or alternative business addresses of persons who have final responsibility for the custody and final distribution of the contributions:

_____

_____

_____

13. Purpose or purposes for which contributions are to be used:

_____

_____

_____

14. Does your organization engage or have a contract with a professional solicitor or fund-raising counsel? Enter yes or no for both.

_____Professional solicitor _____Fund-raising counsel

If YES to either or both, attach a copy of the contract(s) and give name and address of firm(s).

_____ _____

_____ _____

_____ _____

_____ _____

1. Does applicant or any officer, director, partner, or employee of applicant, or any person holding any financial interest in the applicant, have any interest in any mail house, cashiering, professional solicitor, fund-raising counsel, or other business with which applicant does business pursuant to or in conjunction with a contract between the applicant and a professional solicitor, fund-raising counsel, or solicitor? Answer Yes or No._____ If YES, provide details.

   _____
   _____
   _____
   _____

2. Is any officer, director, partner, or employee of the applicant, or any person holding any financial interest in the applicant, also an officer, director, partner, or employee of a professional solicitor, fund-raising counsel, or solicitor with which the applicant does business?
   Answer Yes or No. _____ If YES, provide details.

   _____
   _____
   _____
   _____

15. Check One.

_____All taxes due from the applicant to the State or Baltimore City or a county of the State for the preceding fiscal year have been paid, and all taxes the applicant was required to collect and pay over to the State or to Baltimore City or a county of the State for the preceding fiscal year have been collected and paid over.

_____The taxes due from the applicant to the State or to Baltimore City or a county of the State are under dispute and the dispute has not been finally resolved.

_____The taxes due from the applicant to the State or to Baltimore City or a county of the State have not been paid but are not under dispute.

16. Is your organization affiliated with any Maryland State agency (as defined in COMAR 01.02.04.01L)?

_____Yes _____No (If yes, and raised more than $100,000) you must submit an Audit and Agreed upon Procedures Report with application.

If yes, list the name(s) of the Maryland State agencies of which you are affiliated (use a separate sheet of paper, if needed): _____

17. I have attached all forms required in the instructions for registration.

Affidavit

I solemnly affirm under the penalties of perjury and upon personal knowledge that the contents of the foregoing COR-92 and each supporting document are true. Additionally, I certify that the IRS Form 990 or IRS Form 990-EZ submitted to the Office of the Secretary of State is a copy of the form submitted to the Internal Revenue Service.

_____ _____

Signature of the President, Chairman or Principal Officer Date

_____

Print or Type Name of President, Chairman, or Principal Officer

Annual Update of Registration Form

(This form also used to be known as the Certification Form)

Office of the Secretary of State, State House, Annapolis MD 21401 Telephone: 410-974-5534

1. Fee submitted: $_____

2. Fiscal year end being reported: _____Month _____Year

3. Name of Charitable Organization: _____

4. Address: _____

5. City, State and Zip Code: _____

5. Telephone Number: _____ 6. Fax Number: _____

7. E-mail address: _____

8. Does your organization engage or have a contract with a professional solicitor or fund-raising counsel? If yes, please attach a copy of the contract(s). In order to process your organization's application, you must respond to this question.

Professional Solicitor: _____Yes _____No

Fund-raising Counsel: _____Yes _____No

9. Is your organization affiliated with any Maryland State agency (as defined in COMAR 01.02.04.01L)?

_____Yes _____No (If yes, and raised more than $100,000 you must submit an Audit and Agreed upon Procedures Report with application)

If yes, list the name(s) of the Maryland State agencies of which you are affiliated (use a separate sheet of paper, if needed): _____

10. I have attached all forms required in the instructions.

I hereby certify that this registration statement and all supporting documents are true to the best of my knowledge, and the IRS Form 990 or IRS Form 990-EZ for the above noted fiscal year submitted to the Office of the Secretary of State under section 6-408 of the Business Regulation Article of the Annotated Code of Maryland is a copy of the form submitted to the Internal Revenue Service.

_____ _____

Name of Individual Preparing this Form Signature

_____ _____

Title Date

Annual Financial Report for Charities- Form COF-85

Office of the Secretary of State, State House, Annapolis MD 21401 Telephone: 410-974-5534

This form should be filed annually as part of the charitable organization's annual update of registration. This form must be completed if the organization does not file a 990 or 990-EZ with the IRS. This form must also be completed if the organization files a 990-N with the IRS. You do not need to complete this if the organization files a 990 or 990-EZ with the IRS.

Name of organization_____

Mailing address of organization_____

EIN_____

Fiscal year end being reported: _____Month _____Year

Part I- Statement of Revenue

1. Contributions/donations received: _____
2. Government Grants/Monies received: _____
3. Program Service Revenue received: _____
4. Membership Dues and Assessments received: _____
5. Investment Income received: _____
6. Fundraising/Special Events Income:
   a. Gross revenue received from fundraising events: _____
   b. Less Direct Expenses: _____
   c. Net revenue received from fundraising events (= line 6a- line 6b) _____
7. Gaming Activities Income:
   a. Gross revenue received from gaming activities: _____
   b. Less Direct Expenses: _____
   c. Net revenue received from gaming activities (= line 7a- line 7b) _____
8. Revenue from Sales of Inventory:
   a. Gross revenue received from sales of inventory: _____
   b. Less cost of goods sold: _____
   c. Net revenue received from sales of inventory (= line 8a- line 8b): _____
9. Other income (provide attachment explaining): _____
10. **Total Revenue (sum of lines 1 through 9):** _____

Part II- Statement of Expenses

11. Program Services Expenses incurred: _____
12. Management and General Expenses incurred: _____
13. Fundraising Expenses incurred: _____
14. Other Expenses incurred (provide attachment explaining): _____
15. **Total Expenses (sum of lines 11 through 13):** _____

Part III- Totals

16. Excess (or deficit) income for the year (= line 15- line 10) _____
17. Net assets or fund balances at beginning of year _____
18. **Net assets or fund balances at end of year (=line 16+ line 17)** _____

Part IV- Statement of Program Accomplishments

Describe the organization's program service accomplishments for each of its three largest program services, as measured by expenses. Describe the services provided, the number of persons benefited, and other relevant information for each program.

DESCRIPTION OF PROGRAM SERVICES PROVIDED:	EXPENSES:
a.)	
b.)	
c.)	

Part V- List of officers, directors, trustees, and key employees

List the officers, directors, trustees, and key employees. Give their name, title, average hours per week devoted to the position, and reportable compensation.

NAME	TITLE	HOURS PER WEEK	REPORTABLE COMPENSATION

Part VI- Other Information

19. Is the organization related (other than by association with a statewide or nationwide organization) through common membership, governing bodies, trustees, officers, etc. to any other charitable or non-charitable organization? _____Yes _____No

20. The financial books are in the care of:_____
    Located at:_____
    Telephone number:_____
    Email address:_____

UNDER THE PENALTIES OF PERJURY, I DECLARE THAT I HAVE EXAMINED THIS REPORT, INCLUDING ACCOMPANYING STATEMENTS AND TO THE BEST OF MY KNOWLEDGE AND BELIEF IT IS TRUE, CORRECT, AND COMPLETE.

Name of Officer:_____Title:_____Date:_____

Signature of Officer:_____

Exempt Organization Fund-Raising Notice

Office of the Secretary of State, State House, Annapolis MD 21401 Telephone: 410-974-5534

_____NEW _____RENEWAL

If you cannot check one of the following statements, this is the wrong form. You will most likely need to file the Initial Registration Statement (COR-92). Go to this link to view the initial registration statement and instructions: http://www.sos.state.md.us/Charity/COR-92.pdf.

1. Check One:

_____This organization is exempt from registering as a charitable organization because it did not receive more than $25,000 in charitable contributions during the most recently completed fiscal year and does not have a professional solicitor. (Business Regulation Section 6-102(c)(1)(ii)(4))

--or--

_____The person or entity completing this form is exempt from registering as a charitable organization because solicitations are being made for a named individual and the gross amount is delivered to the individual. (Business Regulation Section 6-102(c)(1)(ii)(1))

2. Most recently completed fiscal year end is:_____(month)_____(year)
If first fiscal year not completed yet, when will first fiscal year end: _____(month)_____(year)

---

3. Name of Charitable Organization or Name of Individual for whom the fund-raising campaign is being conducted. _____

4. Employer I.D. Number of Charitable Organization or Social Security Number of Individual
Is this number a SSN? _____Yes _____No

_____

5. Street Address _____

6. City, State & Zip _____

7. County _____

8. Telephone Number _____ 9. FAX Number _____

10. E-mail address _____

11. Purpose of Charitable Organization or Charitable Fund-raising

_____

12. Have you received 501(c)(3) status from IRS? Circle one (*you can still complete this filing if you check "no"*):

_____Yes _____No _____Pending

If you checked "yes", please submit a copy of your organization's tax determination letter issued by the Internal Revenue Service.

13. Methods of Fund-raising (check all that apply).

Mail_____ Telephone_____ Canisters_____ Door-to-Door_____

Website_____ Email_____ Social Media_____ Other (please describe):_____

_____

_____

14. Name and address of individual with custody of financial records

_____

15. Names and addresses of persons with final responsibility for custody and final distribution of contributions

_____

16. Bank name and account number where contributions are deposited

_____

17. If the filer is an organization, has it filed any of the following forms with the IRS? If so, please check the space.

_____990 _____990-EZ _____990-N

If the organization has filed the 990 or 990-EZ with the IRS, please attach a copy of that to this form.
If the organization has filed the 990-N or none of the above with the IRS, please complete parts A and B.
If the filer is not an organization, please complete parts A and B.

A. Amount of contributions received in most recently completed fiscal year *(this should be the amount received in the most recently completed fiscal year noted on the first page of this form)* _____

B. Amount of contributions received to date in current fiscal year *(this should be the amount received to date, in the current fiscal year that is occurring at the time this form is being completed)* _____

18. Is your organization affiliated with any Maryland State agency (as defined in COMAR 01.02.04.01L)?

_____Yes _____No (If yes, and raised more than $100,000 you must submit an Audit and Agreed upon Procedures Report with application)

If yes, list the name(s) of the Maryland State agencies with which you are affiliated (use a separate sheet of paper, if needed): _____

I do solemnly affirm under the penalties of perjury that the contents of this document are true to the best of my knowledge, information, or belief.
(Type or Print) Name of Individual or Chief Executive Officer of Organization

_____
Name

_____
Signature Date

Application to Register as a Professional Solicitor, Fund-Raising Counsel, or Public Safety Solicitor

Office of the Secretary of State, State House, Annapolis MD 21401 Telephone: 410-974-5534

Check the one that applies: ___Professional Solicitor
___Fundraising Counsel
___Public Safety Solicitor

1. Name: _____

2. Has the applicant ever been known under any name other than that given above?
   _____Yes
   _____No
   If yes, list each such name: _____
   _____

3. In what state was the applicant organized to do business? _____

4. The applicant is a:
   _____corporation _____partnership
   _____individual _____LLC
   _____Other (if other, please specify):_____

5. Mailing Address: _____
   Physical Address (if different): _____

   If address is not in Maryland, give principal Maryland address, if any, where financial records are kept: _____

6. Telephone: _____ FAX: _____ Email: _____

   EIN or Social Security Number: _____

7. List all Officers, Directors or Partners:

Name	Title	Residential Address

8. List person(s) having more than a 5% financial interest or ownership:

Name	Title	Residential Address

9. Does the applicant or any officer, director, partner or employee of the applicant or any person holding any financial interest in the applicant, have any interest in any mail house, cashiering or other business with which it or client charitable organization or public safety organization does business pursuant to or in conjunction with a contract between the applicant and the charitable organization?
Yes _____ No_____ If yes, provide details: _____

10. Is any officer, director, partner or employee of the applicant or any person holding any financial interest in the applicant also an officer, director partner or employee of a charitable organization or public safety organization with which the applicant does business? Yes _____ No _____
If yes, provide details: _____

11. Has the applicant had any license, registration or permit denied, canceled or revoked, or is any such action pending?
Yes _____ No _____ If yes, provide the following information:

Name & Address of Government Agency	Name of Action	Date

12. Has the applicant ever been enjoined or prohibited from soliciting contributions in any state, including Maryland, either personally or as a principal of another entity?
Yes _____ No _____ If yes, please explain: _____

13. Has the applicant, or any principal of the applicant, ever been licensed or held a certificate as a professional solicitor, fundraising counsel, or public safety solicitor in any other state(s) either personally or as a principal in another entity?
Yes_____ No_____ If yes, please list states and dates licensed: _____

14. List the names and addresses of all charitable organizations or public safety organizations with which the applicant has contracts to act as a professional solicitor, fundraising counsel, or public safety solicitor in Maryland. Attach copies of all current contracts. _____

15. List the names and addresses of all individuals or organizations with which the applicant has

subcontracts and the subcontracting agreement furthers the purpose of the agreement between the professional solicitor, fundraising counsel, or public safety solicitor and the charity. Attach copies of all current contracts. _____

_____

_____

_____

_____

16. Does any contract between the applicant and a client charitable organization provide for the use of a cashiering or caging entity for receipt for contributions?

Yes_____ No_____If so, list the charity and cashiering or caging entity below.

_____

_____

_____

17. What type of solicitation program do you plan to use (personal contact, direct mail, telephone, radio, television, etc.)? _____

_____

_____

_____

18. I acknowledge that the Maryland Secretary of State is deemed to be my agent upon whom may be served any summons, subpoena, subpoena duces tecum or other court process directed to the applicant or any partner, principal officer or director of the applicant.

Yes _____ No_____

19. Check One.

_____All taxes due from the applicant to the State or Baltimore City or a county of the State for the preceding fiscal year have been paid, and all taxes the applicant was required to collect and pay over to the State or to Baltimore City or a county of the State for the preceding fiscal year have been collected and paid over.

_____The taxes due from the applicant to the State or to Baltimore City or a county of the State are under dispute, and the dispute has not been finally resolved.

_____ The taxes due from the applicant to the State or to Baltimore City or a county of the State have not been paid but are not under dispute.

Affidavit

I solemnly affirm under the penalties of perjury and upon personal knowledge that the contents of the foregoing paper are true.

_____

(Type or Print) Name of President, Chair or Principal Officer

_____

Signature of President, Chair or Principal Officer

Fund-Raising Notice for Professional Solicitors

Office of the Secretary of State, State House, Annapolis MD 21401 Telephone: 410-974-5534

1. Professional Solicitor: _____

   Address: _____

   Telephone Number: _____ Fax Number _____

   Authorized Representative _____

   Email address: _____

2. Charitable organization (client): _____

   Address _____

   Telephone No. _____ Fax No. _____

   Authorized Representative _____

   Email address: _____

3. Name or title and description of specific fund-raising campaign:

   _____

   _____

   _____

   _____

   _____

   _____

4. Date solicitations begin: _____; end: _____

5. Describe the fund-raising method(s) to be used by checking the appropriate selection:

   _____Telephone

   _____Direct Mail

   _____Combination Telephone/Mail

   _____Other (please specify):_____

   _____

6. Specific geographical area to be solicited:

_____Statewide

_____County (what county? _____)

_____City (what city? _____)

7. State addresses of all places from which oral solicitation will be conducted:

_____

_____

_____

_____

8. State names and addresses of all persons engaged in oral solicitation, either directly or in a supervisory capacity:

_____

_____

_____

_____

9. State name, address of bank and account number where receipts of fund-raising campaign will be deposited in an account exclusively in the name of the charitable organization:

_____

_____

_____

_____

10. **I certify that I have attached a copy of the agreement (contract) between the professional solicitor and the charitable organization to this form.**

I acknowledge that the Maryland Secretary of State is deemed to be my agent upon whom may be served any summons, subpoena, subpoena duces tecum or other court process directed to the applicant or any partner, principal or director of the applicant.

Affidavit

I solemnly affirm under the penalties of perjury and upon personal knowledge that the contents of the foregoing paper are true.

Signature of authorized representative of professional solicitor:

_____

Print or type name and title: _____

Accounting Report for Professional Solicitors

Office of the Secretary of State, State House, Annapolis MD 21401 Telephone: 410-974-5534

1. Name of Professional Solicitor: _____

2. Campaign _____ Dates Held _____ Date of Report _____

3. Charitable Organization _____

4. Is this an interim report? _____Yes _____No If yes, report is current through_____

5. **Total Contributions Received:** $ _____

6. **Expenses:**

   a) Solicitor management salaries & wages $ _____

   b) Professional solicitor salaries & wages $ _____

   c) Associate solicitor salaries & wages $ _____

   d) Printing and postage expenses $ _____

   e) Other expenses $ _____

   f) **Total Fund-Raising Expenses** (sum of all expense categories, a-e): $ _____

7. **Net Contributions for Organization** $ _____
   (total contributions received minus total fund-raising expenses equals net contribution for organization)

CERTIFICATION

I, (print name) _____, being an officer or other duly authorized representative of the organization which has entered into an agreement with the professional solicitor who has prepared this report, do hereby certify, under penalties of perjury, that the statements contained herein are true to the best of my knowledge.

For _____ By _____
Name of Organization Signature of Representative

I, (print name) _____, being an officer or other duly authorized representative of the professional solicitor reporting herein, do hereby certify, under penalties of perjury, that the statements contained herein are true to the best of my knowledge.

For _____ By _____
Name of Professional Solicitor Signature of Representative