HOUSE FISCAL AGENCY

Budget Briefing: Department of State

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September 2026

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 2026-27 is October 1, 2026 through September 30, 2027.

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.

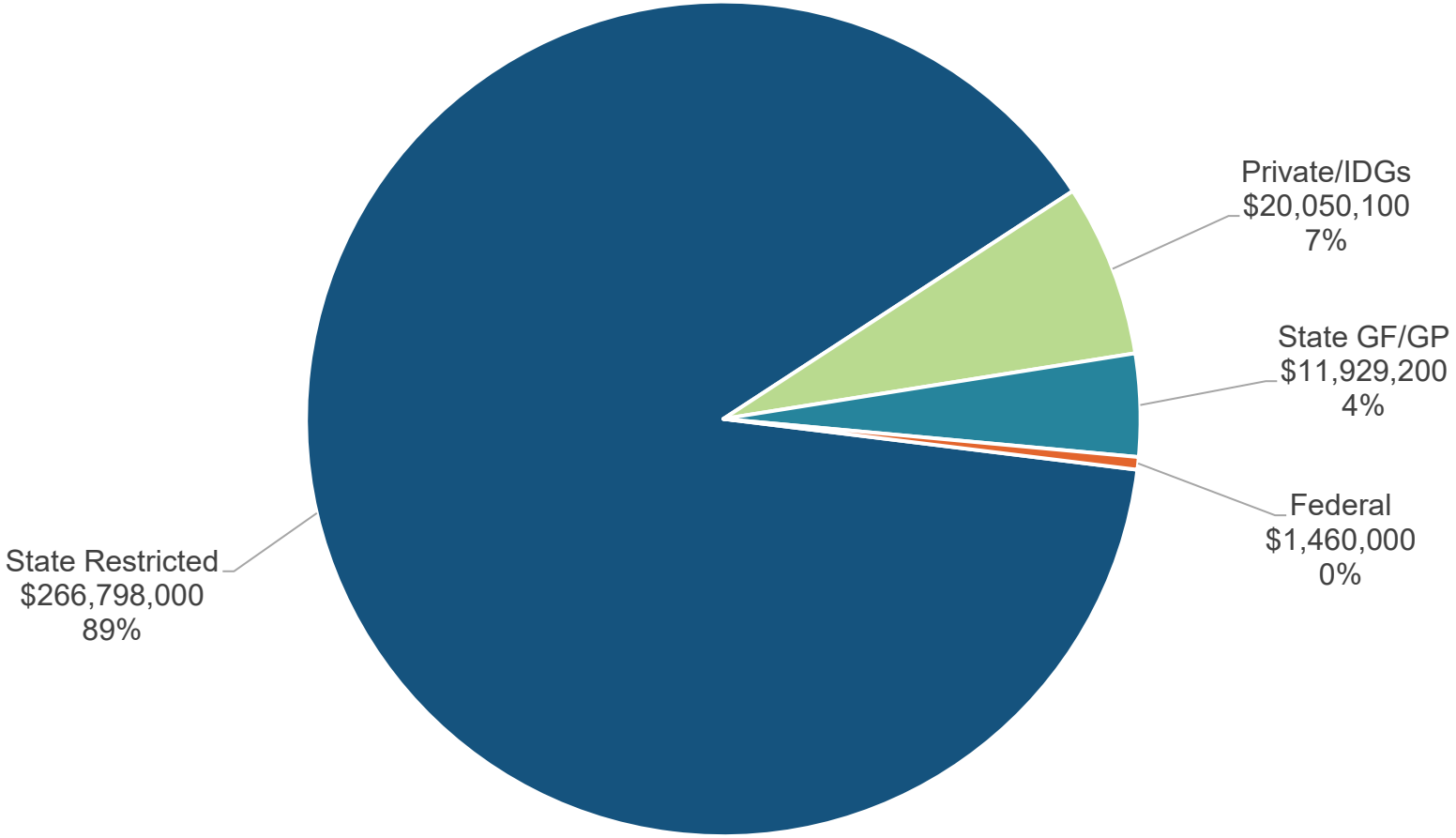
Funding Sources

FY 2026-27 Department of State Budget

Fund Source	Funding	Description
Gross Appropriations	$300,237,300	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	$280,237,300	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	266,798,000	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	$11,929,200	Unrestricted revenue from taxes and other sources available to fund basic state programs and other purposes determined by the legislature

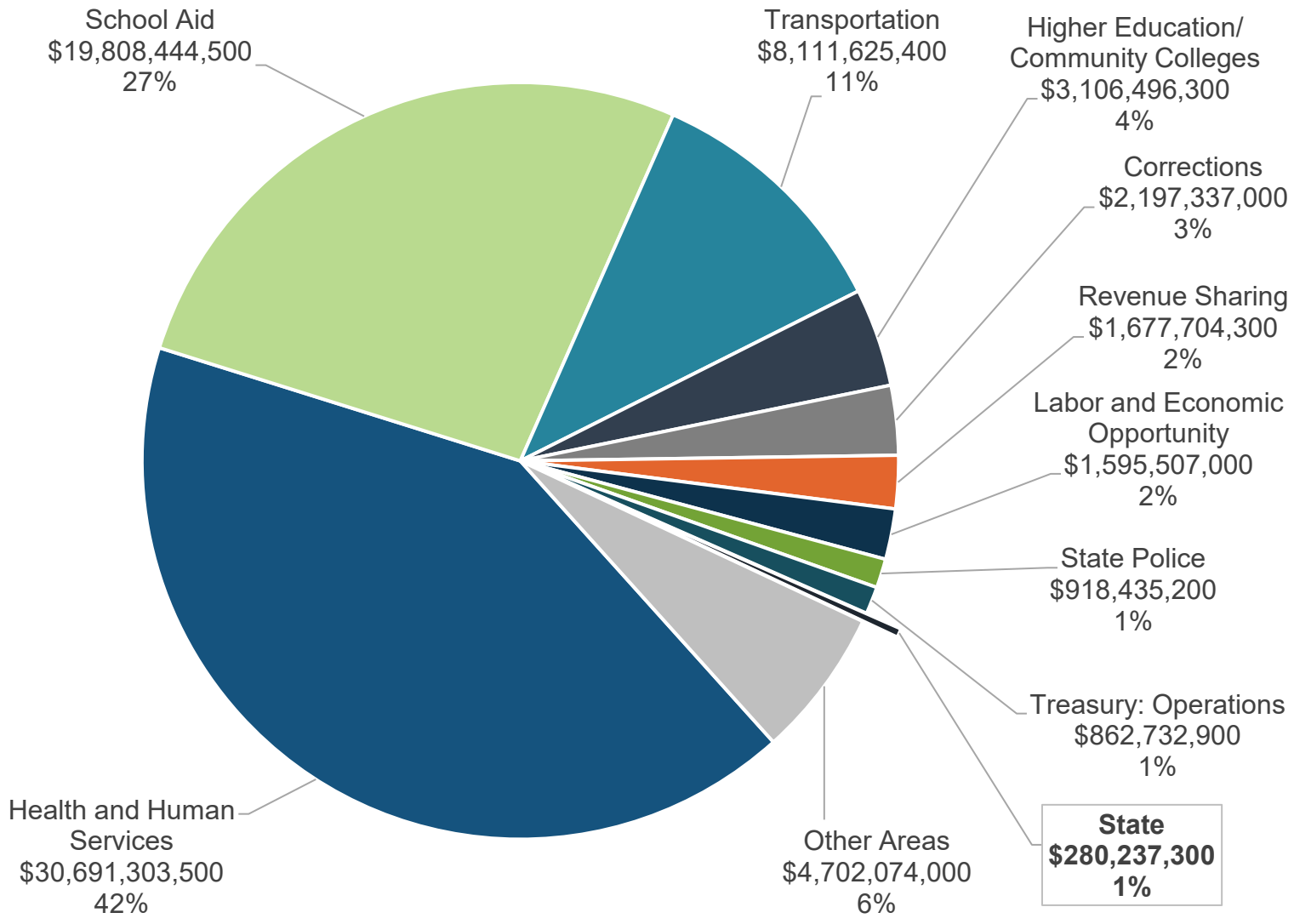
FY 2026-27 Fund Sources

Of the **$300.2 million** Department of State (DOS) budget, **89%** is funded by state restricted revenues from the Transportation Administration Collection Fund (TACF), driver fees, and various other transaction fees collected by the department.



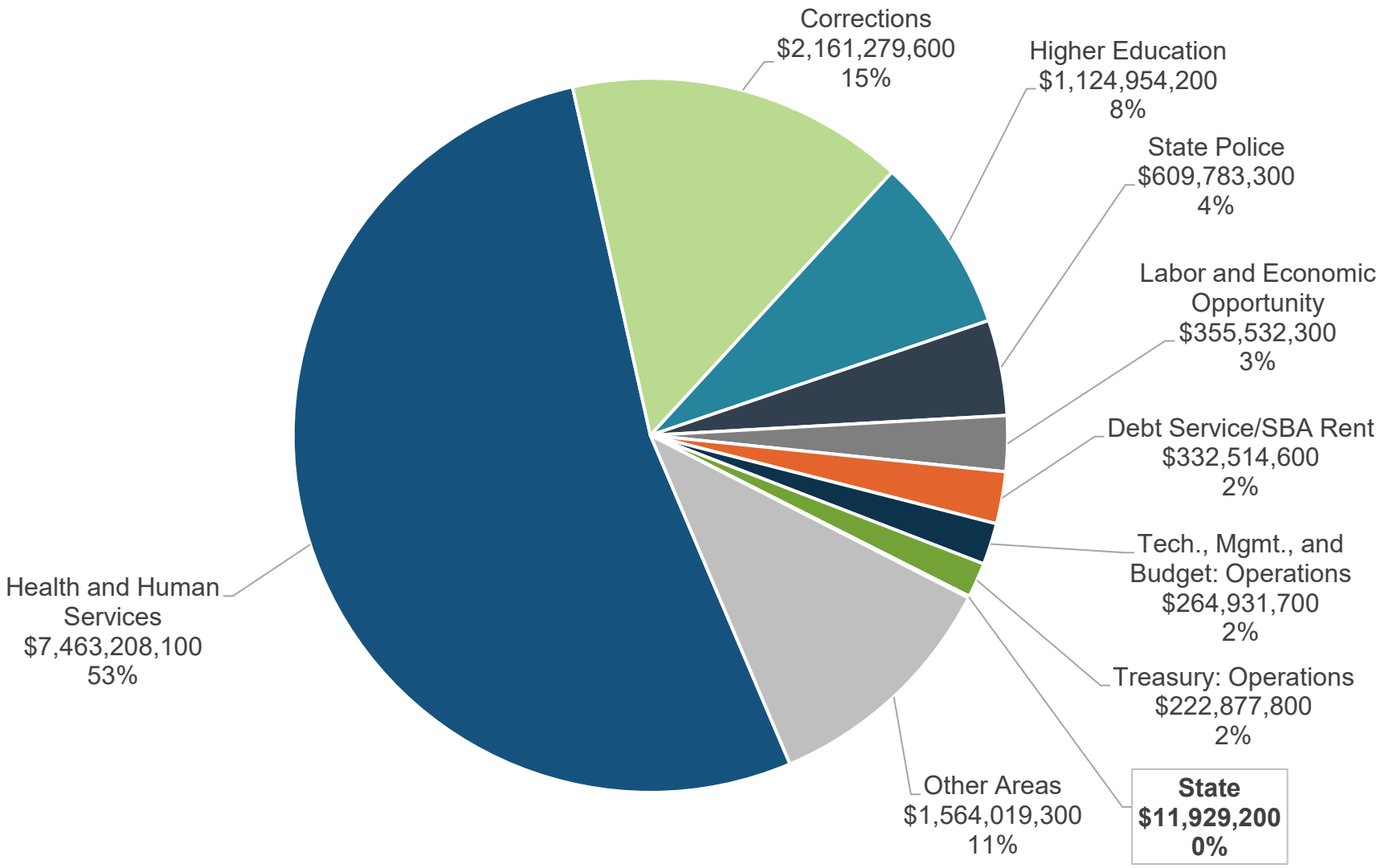
Department of State Share of Total State Budget

The Department of State budget represents less than **1%** of the **$74.0 billion** state budget (adjusted gross) for FY 2026-27.



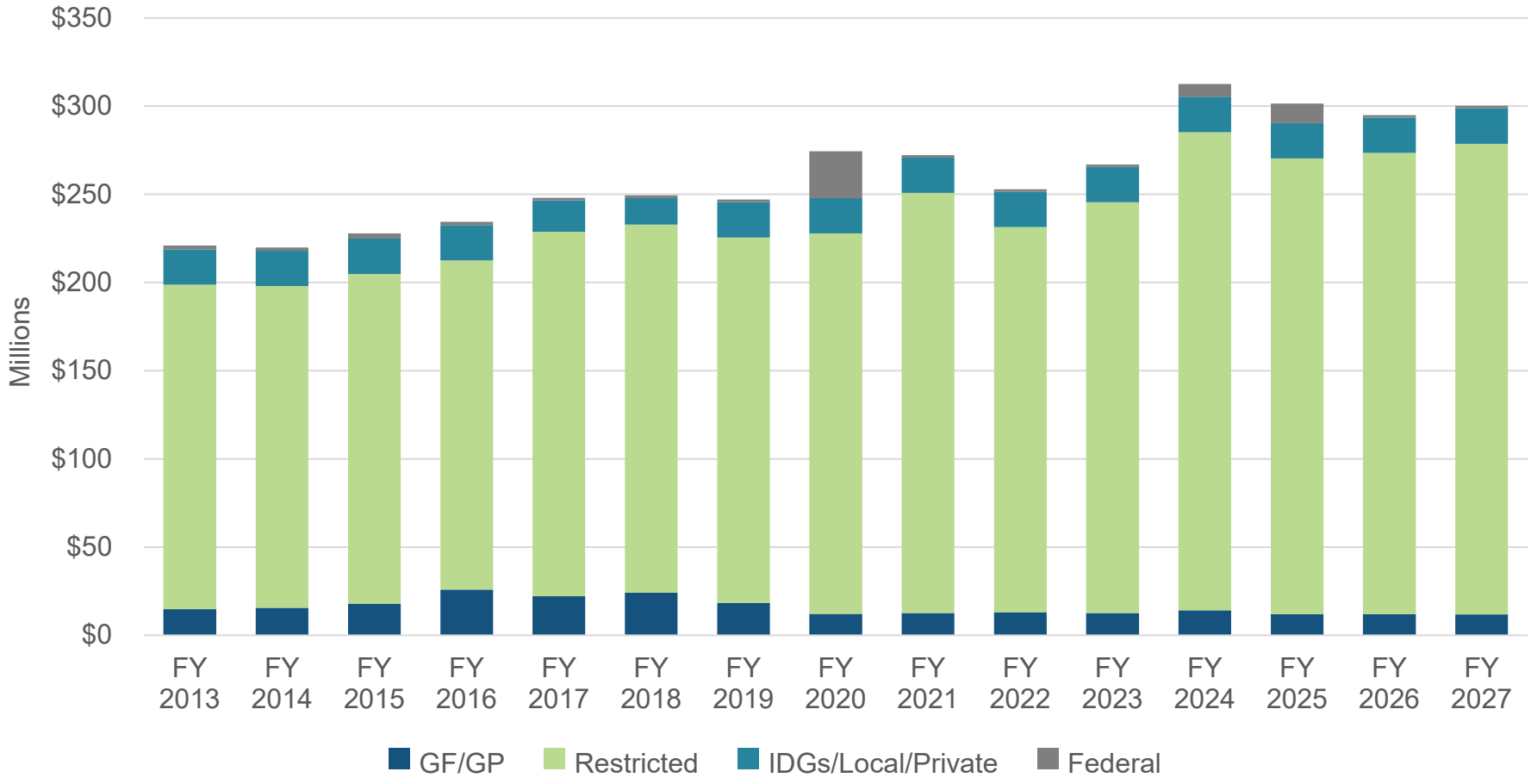
Department of State Share of Total GF/GP Budget

The Department of State budget represents less than **1%** of the state's **$14.1 billion** GF/GP budget for FY 2026-27.



Department of State Funding History

GF/GP appropriations decreased beginning in FY 2018-19 due to a decrease in one-time appropriations and replacing GF/GP with restricted funding. Funding increased in FY 2023-24 to support the department and local units of government with major changes in election administration.



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 appeals hearings; liaisons with attorney general and county prosecutors; provides counsel to ensure administrative compliance.

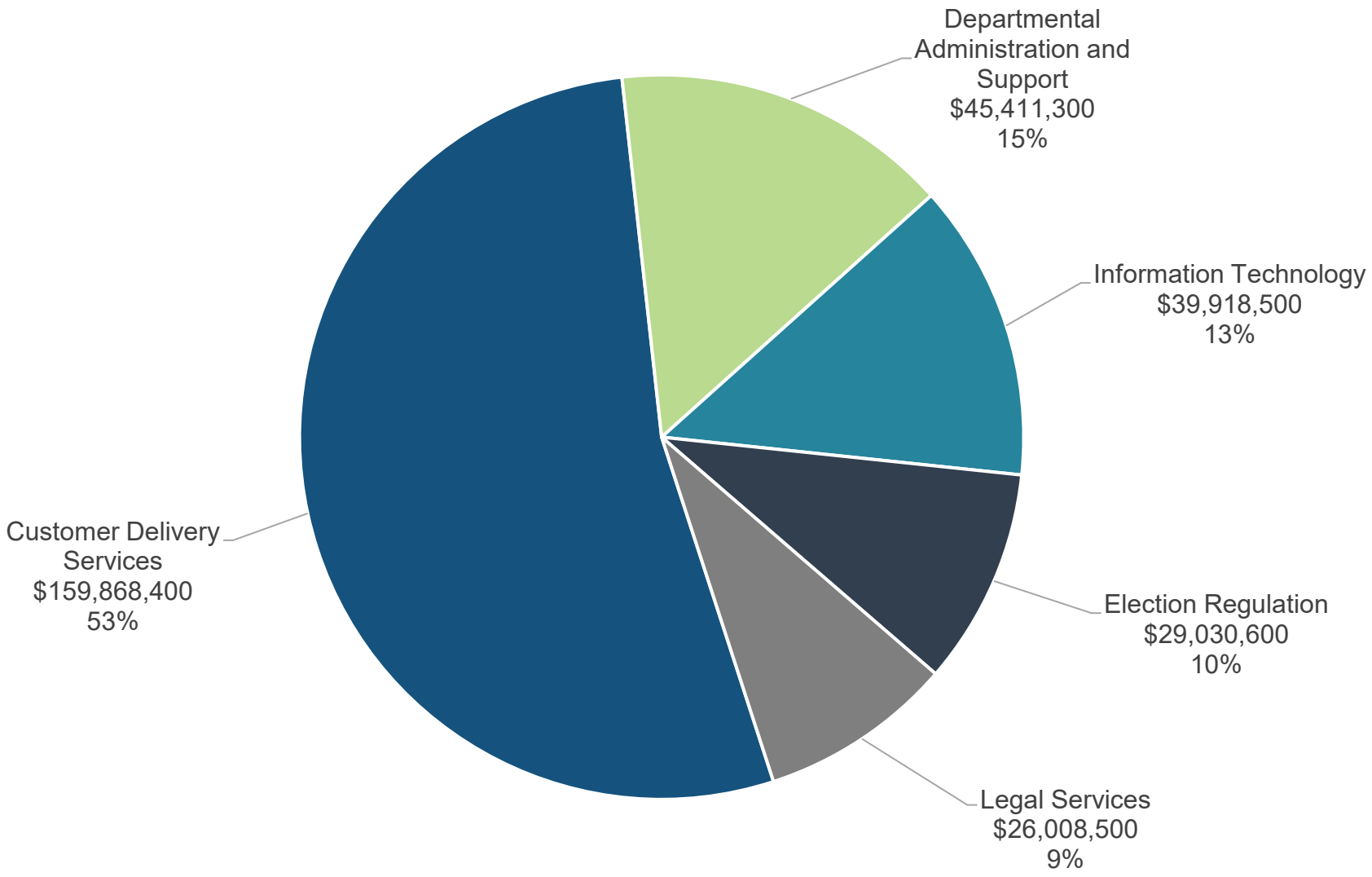
Customer Delivery Services: Includes branch operations, records processing, safety programs, and other related services.

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.

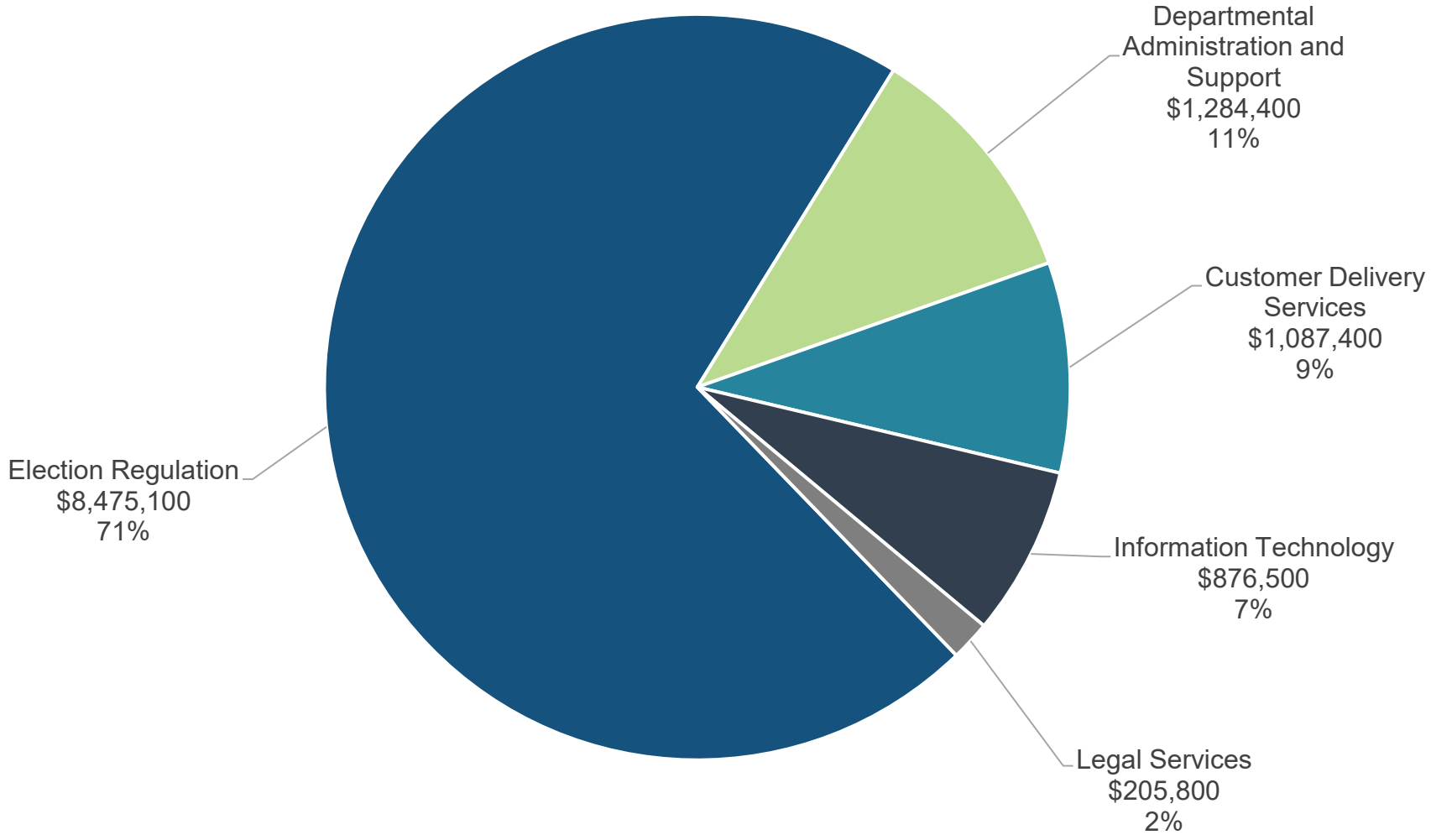
FY 2026-27 Gross Appropriations

Of the **$300.2 million** Department of State budget, just over half supports customer delivery services for vehicles and drivers.



FY 2026-27 GF/GP Appropriations

Just over **4%** of the department's total budget is funded with GF/GP revenue. Of the total **$11.9 million** GF/GP, **71%** is allocated to Election Regulation.



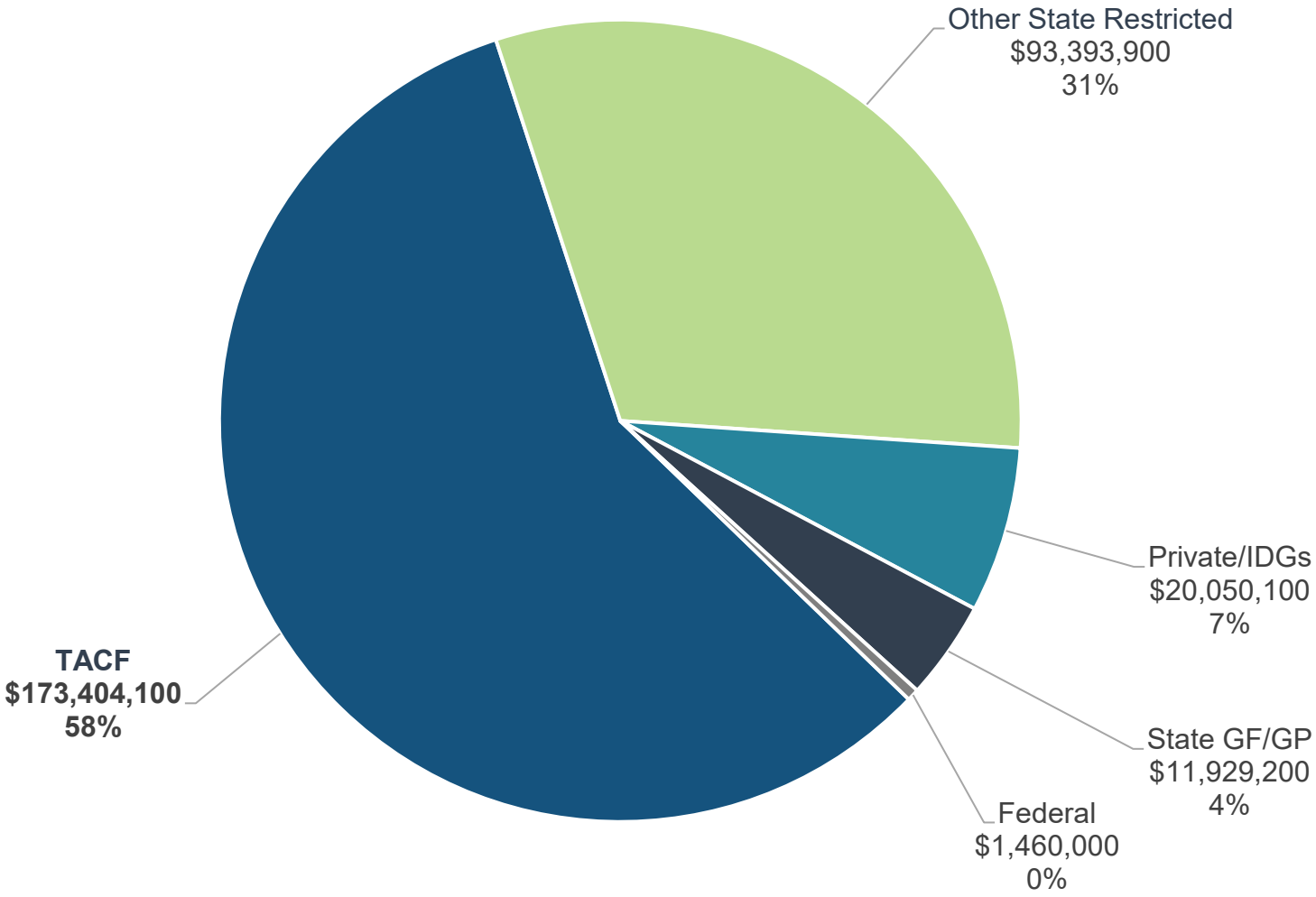
Major Budget Topics

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 thirds 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 **58%** of the department's entire budget.

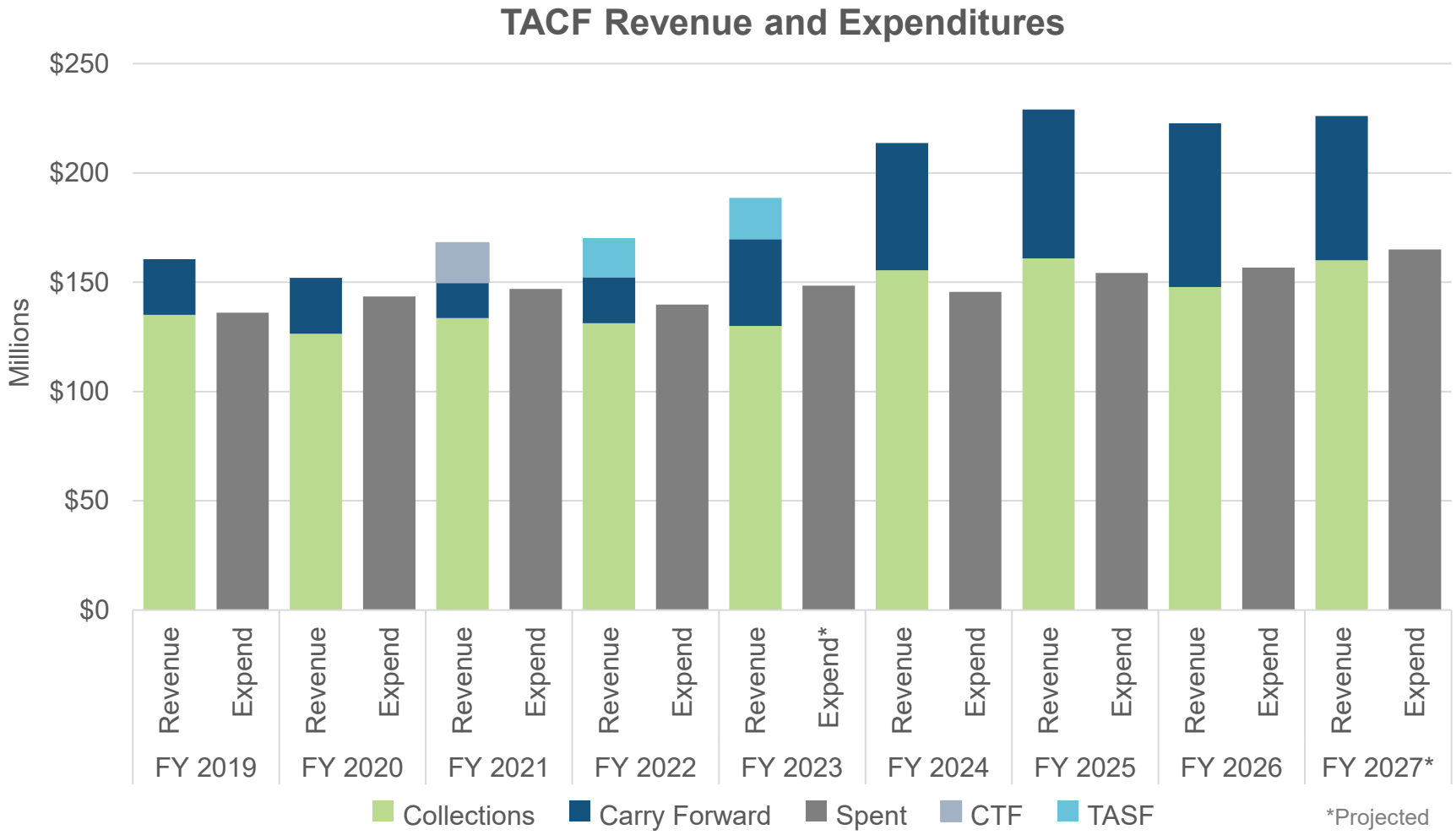


Transportation Administration Collection Fund

- Created in 2003 to provide a consistent source of funding for the department's administration of vehicle and watercraft registration and related services.
- Funded through various service fees and commercial record look-up fees.
- Increasing expenses and steady revenue have led to revenue shortfalls.
- Additional deposits of **$18.0 million** from restricted and GF/GP revenues were made each year from FY 2020-21 to FY 2022-23, totaling **$54.0 million,** to prevent a projected depletion of the fund.
- 2023 PA 130 increased the record look-up fee by $4, providing approximately $20.0 million annually in additional TACF revenue.
- Public Act 96 of 2026 will direct $1.7 million from TACF to the General Fund for three consecutive FYs starting in FY 2026-27 and ending FY 2028-29 per a FY 2026-27 budget agreement.

Transportation Administration Collection Fund

2023 PA 130 increased the record look-up fee from $11 to $15 providing approximately $20.0 million in additional annual revenue, alleviating the previous imbalance between revenue and expenditures. Expenditures are estimated to again exceed revenue beginning in FY 2025-26.



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**
  - Provides training on election processes and notary responsibilities for clerks and their staff

Election Regulation Components

- **Help America Vote Act (HAVA)**
  - The department receives occasional federal election security grant funding from the U.S. Election Assistance commission through the Help America Vote Act (HAVA) of 2002 (P.L. 107-252)
- **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

Statewide Election System Replacement

- 2002 PA 91 requires the secretary of state to implement a statewide uniform voting system across the state's decentralized election system
- Ten-year contracts for existing voting systems expire in February 2027. The state is currently reviewing bids for new contracts
- New contracts, estimated to cost around **$90.0 million**, would be funded from state and federal sources. As of September 2026, approximately **$70.0 million** is secured

Federal Funds	
HAVA Election Security Grant FY25 Work Project	$5,000,000
Interest Income Earned from Federal HAVA Election Security Grant Awards	1,000,000
HAVA FY26 Election Security Grant	1,091,800
State Funds	
Implementation of Proposals 1 and 2 of 2022 Work Projects	20,732,500
Interest Income on State Restricted Election Administration Support Fund	5,000,000
Unspent Balance from State Restricted Election Administration Support Fund	12,200,000
Election Equipment Reserve Fund (FY26)	5,000,000
Allocation from Make It in Michigan Competitiveness Fund	20,000,000
Total	**$70,024,300**

For more information about the Department of State budget:

HFA Resources

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

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