

DEPARTMENT OF STATE
FY 2019-20 JOINT BUDGET COMMITTEE HEARING AGENDA

Friday, December 14, 2018
9:00 am – 10:00 am

9:00-9:10 INTRODUCTIONS AND OPENING COMMENTS

Presenter: Wayne W. Williams, Secretary of State

9:10-9:35 PRESIDENTIAL PRIMARY REIMBURSEMENTS TO COUNTIES

Main Presenters:

- Wayne W. Williams, Secretary of State
- Suzanne Staiert, Deputy Secretary of State
- Brad Lang, Controller and Budget Director

Supporting Presenters:

- Judd Choate, Elections Division Director (if necessary)
- Hilary Rudy, Elections Division Deputy Director (if necessary)
- Trevor Timmons, Chief Information Officer (if necessary)

Topics:

- Unaffiliated ballot printing costs: Page 2, Question 1 in the packet
- Unaffiliated ballot returns: Pages 2-7, Questions 2-4 in the packet

9:35-10:00 ELECTRONIC RECORDING TECHNOLOGY BOARD

Main Presenters:

- Wayne W. Williams, Secretary of State
- Suzanne Staiert, Deputy Secretary of State
- Brad Lang, Controller and Budget Director

Topics:

- Land record electronic storage practices: Page 8, Question 5 in the packet
- Blockchain technology usage: Page 8, Question 6 in the packet

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PRESIDENTIAL PRIMARY REIMBURSEMENTS TO COUNTIES

1. What was cost to counties of printing and mailing both the Republican and Democratic primary ballots to unaffiliated voters?

Following the 2018 primary election, the Department of State asked county clerks around Colorado to total their costs running the primary election. This was done in an effort to estimate what costs the counties will experience running the upcoming 2020 presidential primary. However, the Department of State did not request, and county clerks did not provide, how much of their cost was attributable to mailing both Republican and Democratic primary ballots to unaffiliated voters. While our office does have an estimate on the cost of running a primary election statewide, we do not have the specific data point asked for in this question.

2. What is the spoilage rate (i.e., ballots that were invalid) by county for ballots that were sent to and returned by unaffiliated voters?

During the 2018 primary election, in which every active unaffiliated voter was sent both a Democratic and Republican primary ballot, the spoilage rate was 2.4% among unaffiliated voters. Table 1 on the next page provides the number and percentage of ballots by county that were rejected as a result of an unaffiliated voters voting more than one party's ballot. This spoilage rate was significantly lower than what was predicted by opponents of the 2016 ballot measure allowing unaffiliated voters to participate in party primaries. Opponents to the ballot measure had predicted in the 2016 blue book that around 7% of voters would incorrectly vote in both party's primaries.

Some of this low spoilage rate may be attributed to the public awareness campaigns taken on by the Department of State and county clerks around the state. The UChoose public awareness campaign, financed by a supplemental appropriation granted by the Joint Budget Committee and implemented by the Department of State, successfully targeted unaffiliated voters around Colorado with a message to return only one voted ballot. The Department of State will continue to review spoilage rates around the state and prepare appropriate messaging prior to both primary elections in 2020.

County	Unaffiliated Mail Ballot Returned and Counted	Rejected Voted More than One Ballot	% Rejected
Adams	18,408	79	0.4%
Alamosa	641	39	6.1%
Arapahoe	30,133	799	2.7%
Archuleta	667	13	1.9%
Baca	326	9	2.8%
Bent	208	11	5.3%
Boulder	22,001	204	0.9%
Broomfield	5,109	30	0.6%
Chaffee	1,563	8	0.5%
Cheyenne	131	12	9.2%
Clear Creek	690	17	2.5%
Conejos	159	22	13.8%
Costilla	201	10	5.0%
Crowley	151	15	9.9%
Custer	355	3	0.8%
Delta	1,743	23	1.3%
Denver	36,896	942	2.6%
Dolores	215	4	1.9%
Douglas	17,482	247	1.4%
Eagle	2,911	80	2.7%
El Paso	33,743	1,609	4.8%
Elbert	1,835	24	1.3%
Fremont	2,770	64	2.3%
Garfield	3,020	133	4.4%
Gilpin	460	7	1.5%
Grand	820	18	2.2%
Gunnison	889	10	1.1%
Hinsdale	94	0	0.0%
Huerfano	393	10	2.5%
Jackson	91	4	4.4%
Jefferson	38,504	741	1.9%
Kiowa	100	7	7.0%
Kit Carson	247	26	10.5%
La Plata	2,559	122	4.8%
Lake	274	8	2.9%
Larimer	21,760	360	1.7%
Las Animas	647	25	3.9%

County	Unaffiliated Mail Ballot Returned and Counted	Rejected Voted More than One Ballot	% Rejected
Lincoln	161	5	3.1%
Logan	1,175	21	1.8%
Mesa	8,504	173	2.0%
Mineral	93	2	2.2%
Moffat	690	8	1.2%
Montezuma	1,133	41	3.6%
Montrose	2,448	116	4.7%
Morgan	1,103	30	2.7%
Otero	869	75	8.6%
Ouray	454	7	1.5%
Park	1,579	35	2.2%
Phillips	309	13	4.2%
Pitkin	1,121	13	1.2%
Prowers	509	30	5.9%
Pueblo	5,919	115	1.9%
Rio Blanco	223	2	0.9%
Rio Grande	495	24	4.8%
Routt	1,650	21	1.3%
Saguache	327	6	1.8%
San Juan	66	2	3.0%
San Miguel	403	9	2.2%
Sedgwick	98	9	9.2%
Summit	1,866	53	2.8%
Teller	1,527	29	1.9%
Washington	190	5	2.6%
Weld	10,773	287	2.7%
Yuma	697	11	1.6%
TOTAL	292,578	6,877	2.4%

Table 1 The table shows ballot spoilage rates by county for the 2018 Primary Election.

3. How does Colorado's ballot invalidation rate compare to that of the State of Washington's in their first year of open primary elections?

In 2016, the opponents of allowing unaffiliated voters to participate in primary elections pointed out that the state of Washington had seen 7% of their unaffiliated ballots disqualified in their first year running semi-open primaries. Colorado's spoilage rate of 2.4% was significantly lower in its first year. Colorado's lower spoilage rate is likely attributable to two factors:

- As previously detailed, the UChoose public awareness campaign targeted unaffiliated voters with the message to only return one ballot.
- The state of Washington holds a "Top 2" primary in which voters receive a single ballot. In Colorado, the legislature decided to send unaffiliated voters two separate ballots for party primaries instead of one combined ballot.

4. What was the turnout rate of unaffiliated voters by county?

Table 2 below provides the turnout rate for unaffiliated voters by county for the 2018 Primary Election.

County	All Unaffiliated Sent a Ballot/Packet	All Unaffiliated Ballots Returned	% Turnout
Adams	89,766	18,416	21%
Alamosa	2,495	641	26%
Arapahoe	127,419	30,271	24%
Archuleta	2,571	668	26%
Baca	651	326	50%
Bent	707	208	29%
Boulder	73,660	22,214	30%
Broomfield	17,030	5,133	30%
Chaffee	4,594	1,563	34%
Cheyenne	285	131	46%
Clear Creek	2,561	694	27%
Conejos	808	158	20%
Costilla	503	201	40%
Crowley	491	151	31%
Custer	851	354	42%
Delta	6,382	1,742	27%
Denver	133,679	36,917	28%
Dolores	427	215	50%
Douglas	72,027	17,519	24%
Eagle	12,458	2,911	23%
El Paso	133,354	33,761	25%
Elbert	5,605	1,839	33%
Fremont	8,839	2,778	31%
Garfield	12,560	3,022	24%
Gilpin	2,209	900	41%
Grand	3,715	819	22%
Gunnison	3,932	905	23%
Hinsdale	177	94	53%
Huerfano	1,271	395	31%
Jackson	202	91	45%
Jefferson	141,195	38,524	27%
Kiowa	235	100	43%
Kit Carson	1176	247	21%
La Plata	12,164	2,563	21%

County	All Unaffiliated Sent a Ballot/Packet	All Unaffiliated Ballots Returned	% Turnout
Lake	1,387	274	20%
Larimer	82,050	21,793	27%
Las Animas	2,551	649	25%
Lincoln	603	161	27%
Logan	3,441	1,189	35%
Mesa	31,423	8,506	27%
Mineral	174	94	54%
Moffat	2,346	688	29%
Montezuma	4,949	1,133	23%
Montrose	8,020	2,452	31%
Morgan	5,061	1,106	22%
Otero	3,562	869	24%
Ouray	1,317	454	34%
Park	4,779	1,578	33%
Phillips	696	310	45%
Pitkin	5,139	1,123	22%
Prowers	1,891	507	27%
Pueblo	29,424	5,926	20%
Rio Blanco	812	224	28%
Rio Grande	1,869	495	26%
Routt	6,510	1,653	25%
Saguache	1,137	328	29%
San Juan	264	66	25%
San Miguel	1,710	403	24%
Sedgwick	387	98	25%
Summit	8,589	1,871	22%
Teller	5,381	1,527	28%
Washington	538	191	36%
Weld	59,248	11,169	19%
Yuma	1,597	699	44%
TOTAL	1,152,854	294,007	26%

Table 2 The table provides unaffiliated voter turnout rate by county for the 2018 Primary Election.

ELECTRONIC RECORDING TECHNOLOGY BOARD

5. Is there a centralized state database for the land records collected by the counties? Or do the counties retain primary control of the land records?

Except for specialized records maintained on a statewide basis by Federal agencies, there is no centralized state database for land records. The counties retain primary custody and control of land records as defined in §30-10-406 C.R.S., "The county clerks shall be ex officio recorder of deeds and shall have custody of and safely keep and preserve all documents received for recording or filing in his or her office." The counties have maintained these records since their inception (mid-1800's). Additionally, the county clerk forwards a copy of the records to the county assessor for taxing purposes.

6. Do counties use blockchain technology to secure their land records systems? If so, how widespread is the usage of blockchain technology by counties?

No counties have adopted using blockchain technology to secure their land records systems. The blockchain technology in this arena is still relatively new and recording software vendors are still exploring the technology. However, members of the Electronic Recording Technology Board have met with members of the Colorado Council for the Advancement of Blockchain Technology Use and there will be a presentation to the Colorado County Clerks and their staff about blockchain and its use in recording at their January 2019 conference.

ADDENDUM: OTHER QUESTIONS FOR WHICH SOLELY WRITTEN RESPONSES ARE REQUESTED. PLEASE RETAIN THE NUMBERING IN ORDER TO MAINTAIN CONSISTENT LABELING FOR COMMON QUESTIONS ACROSS DEPARTMENTS.

1. Provide a list of any legislation that the Department has: (a) not implemented, or (b) partially implemented. Explain why the Department has not implemented or has only partially implemented the legislation on this list. Please explain any problems the Department is having implementing any legislation and any suggestions you have to modify legislation.

The Department is currently working to implement two pieces of legislation: SB18-233 and SB18-150 as outlined below.

SB18-233: Technical Modifications to Various Sections of the Uniform Election Code: Section 7 of the bill requires the Department of State to regularly provide the Department of Revenue with current voter registration information no later than July 31, 2019. The Department of State is still working on this requirement and anticipates that it will meet the implementation deadline.

SB18-150: Measures to Facilitate Voter Registration of Individuals in the Criminal Justice System: Sections 1 & 2 of the legislation, concerning pre-registration of parolees, have an effective date of July 1, 2019. The Department anticipates that that this legislation will be fully implemented by December 15, 2018.

2. Does the Department have any HIGH PRIORITY OUTSTANDING recommendations as identified in the "Annual Report: Status of Outstanding Audit Recommendations" that was published by the State Auditor's Office and dated June 30, 2018 (link below)? What is the Department doing to resolve the HIGH PRIORITY OUTSTANDING recommendations?

The Department does not have any High Priority Outstanding Audit Recommendations.

3. If the Department receives federal funds of any type, please respond to the following:
 - a. Are you expecting any changes in federal funding with the passage of the FFY 2018-19 or 2019-20 federal budget? If yes, in which programs, and what is the match requirement for each program?

The Department's only federal funding is from three Help America Vote Act (HAVA) grants: Title I, Title II, and the Elections Security Grant that was awarded earlier this year. At this time, the Department does not expect to receive any additional federal funds.

- b. Does the Department have a contingency plan if federal funds are eliminated?

All HAVA grant funds have been advanced to the Department by the federal government and there is minimal risk that these funds would be clawed back.
- c. Please provide a detailed description of any federal sanctions or potential sanctions for state activities of which the Department is already aware. In addition, please provide a detailed description of any sanctions that MAY be issued against the Department by the federal government during FFY 2018-19 or 2019-20.

None.

4. Is the Department spending money on public awareness campaigns? If so, please describe these campaigns, the goal of the messaging, the cost of the campaign, and distinguish between paid media and earned media. Further, please describe any metrics regarding effectiveness and whether the Department is working with other state or federal departments to coordinate the campaign?

The Department does not have any active public awareness campaigns.

5. Based on the Department’s most recent available record, what is the FTE vacancy and turnover rate by department and by division? To what does the Department attribute this turnover/vacancy? Do the statewide compensation policies administered by the Department of Personnel help or hinder in addressing vacancy or turnover issues?

This data from FY 2017-18 is shown in Table 3 below. Based on exit interview data collected by the Department, the majority of employees left the Department to take another job opportunity.

Division	Vacancy Rate	Turnover Rate
Administration	14.2%	31.82%
Business & Licensing	23.0%	15.15%
Elections	20.5%	13.79%
IT Services	9.5%	18.18%
Total	16.9%	18.75%

Table 3 The table shows FY 2017-18 vacancy rate and turnover rate data for the Department. Vacancy rate data is calculated using appropriated FTE from the Long Bill.

The statewide compensation policies make it difficult to fill certain positions. For example, the Department frequently has to post IT, Business Analyst, and Elections positions multiple times in order to fill a single vacancy. The Department often loses candidates because the offered salary is well below the expectations of the candidate and the salary range available in the market. The compensation policies do allow for some flexibility, but only in certain circumstances. Overall, the compensation policies hinder the Department’s ability to hire candidates into specialized roles.

The statewide policies also make it difficult to retain candidates over time. Additional mechanisms are needed to adjust salary based on acquired skills and expertise.

6. Please identify how many rules you have promulgated in the past two years (FYs 2016-17 and 2017-18). With respect to these rules, have you done any cost-benefit analyses pursuant to Section 24-4-103 (2.5), C.R.S., regulatory analyses pursuant to Section 24-4-103 (4.5), C.R.S., or any other similar analysis? Have you conducted a cost-benefit analysis of the Department's rules as a whole? If so, please provide an overview of each analysis.

The Department has promulgated nine new rules in FY 2016-17 and FY 2017-18 as shown in Tables 4 and 5 below.

FY 2016-17

Tracking Number	CCR Number	CCR Title	Adopted Date	Effective Date
2016-00294	8 CCR 1505-6	Campaign & Political Finance	8/11/2016	9/30/2016
2016-00295	8 CCR 1505-1	Elections	8/11/2016	9/30/2016

Table 4 The table shows new/amended permanent rules adopted from July 1, 2016 through June 30, 2017.

FY 2017-18

Tracking Number	CCR Number	CCR Title	Adopted Date	Effective Date
2017-00240	8 CCR 1505-2	Bingo & Raffles Games	8/7/2017	9/30/2017
2017-00221	8 CCR 1505-1	Elections	8/11/2017	9/30/2017
2017-00398	8 CCR 1505-6	Campaign & Political Finance	10/25/2017	12/15/2017
2017-00494	8 CCR 1505-1	Elections	12/7/2017	1/30/2018
2018-00034	8 CCR 1505-1	Elections	3/26/2018	5/15/2018
2018-00096	8 CCR 1505-8	Lobbyist Regulation	5/10/2018	6/30/2018
2018-00095	8 CCR 1505-11	Notary Program Rules	5/15/2018	7/1/2018

Table 5 The table shows new/amended permanent rules adopted from July 1, 2017 through June 30, 2018.

With respect to these rules, the Department did not receive cost benefit analysis or regulatory analysis requests for any of the above rulemaking proceedings. We have not conducted a cost-benefit analysis for the Department's rules as a whole. The Department completed our 2016 and 2017 mandatory rule reviews and reported our rule review results in our 2017 and 2018 Department Regulatory Agendas in accordance with §24-4-103.3 C.R.S. These can be accessed using the links below.

- https://www.sos.state.co.us/pubs/rule_making/agendas/2017CDOSRegAgenda.pdf
- https://www.sos.state.co.us/pubs/rule_making/agendas/2018CDOSRegAgenda.pdf

7. What are the major cost drivers impacting the Department? Is there a difference between the price inflation the Department is experiencing compared to the general CPI? Please describe any specific cost escalations.

Major cost drivers for the Department include labor rates, population growth, and information technology (IT) license pricing. Collectively, these drivers impact roughly 90 percent¹ of the Department's annual expenses.

Data from the Bureau of Labor Statistics (BLS) of the US Department of Labor shows that the Consumer Price Index (CPI) for the West Region, which includes Denver, has increased by 3.5 percent in the past year (through the end of October 2018). This is 1.0 percent higher than the BLS' CPI for All Urban Consumers: US City Average for the same period.

The Department has begun to see some contractors requesting increases over and beyond the CPI. For example, in the past two weeks, two of the Department's IT contractors have notified us that they will be requesting rate increases over and above the annual CPI escalator that is built into their contracts. If this repeats itself amongst other contractors and/or employees, it will have a significant impact on the Department. In State Fiscal Year 2017-18, personal services-related expenses, including contractors, employees, and legal services, accounted for over 70 percent of the expenditures from the Department of State Cash Fund. Given the recent contractor rate increase requests, and more generally the tight labor market in the Denver metro area, the Department expects to see increased pressure on staff wages, particularly for in-demand fields, such as IT, business analysts, finance, and elections specialists (some of the same job classes referenced in the Department's answer to addendum question five). The Department of Personnel Administration (DPA) is responsible for an annual analysis of state employee wages vis-à-vis the market and this analysis contains greater depth of analysis on individual professional classifications.

One of the most egregious examples of rate increases above the CPI is the Department's experience with Integrated Document Solutions (IDS), a division of DPA. For year, the Department has had a successful partnership with IDS to review the signature on petitions. In the past two years, the hourly rates charges by IDS for petition processing have increased dramatically at rates far outpacing the general CPI. For example, IDS' rates increased from \$20.00 per hour in FY 2016-17 to \$47.00 per hour in FY 2017-18 (135%) and then again to \$62.47 per hour in FY 2018-19 (33%).

As discussed in Decision Item R-1, the Department has also seen cost increases in much of the software that it uses. These increases are attributable to the high demand for and rising salaries of IT workers as well as structural changes in the industry. For example, many vendors have transitioned from perpetual licenses to a software as a service model with ongoing monthly or annual payments. In addition, both the number of online services offered by the department and the number of the department's customers have increased, the cost of IT services linked to the volume of network traffic have increased.

In years in which there is a statewide ballot question, the Department makes a local election reimbursement payment from its cash fund to each county based upon a statutory formula per active registered elector (§1-5-505.5 C.R.S.). The cost of these reimbursement payments has increased significantly in recent years, however, the pace of the increases has slowed to a rate on par with the CPI.

¹ 90 percent may be understated given the extent to which labor rates in the broader impact the pricing of a variety of goods and services.

8. How is the Department's caseload changing and how does it impact the Department's budget? Are there specific population changes or service needs (e.g. aging population) that are different from general population growth?

The Business and Licensing Division has seen a significant increase in good standing businesses over the last seven years. In the first quarter of calendar year 2012, there were 480,230 and in the third quarter of calendar year 2018, this number reached 711,818 representing a 48% increase over this period. The division provides many resources in support of business customers to include an online filing system, front desk walk-in service, online training, and service center call/email support. To overcome the increased workload, the division has implemented many process improvement initiatives such as extensive cross-training, voice messaging to text, virtual hold, targeted eLearning modules, and the expansion of online system capabilities. As the Department has migrated from paper to primarily online services, the division has adjusted resources from data processing to customer support functions. Related to this success is the need to rewrite the business online system due to its age and architecture. The business program is cash funded through business fees and has not substantially increased its budget during this period.

Also growing in customer base is the Charities Program of the Business and Licensing Division. This program has grown from 9,615 charities in January 2012 to 15,783 as of December 2018, a 64% increase. The program continues to provide services such as online registration, consulting, investigations, and outreach. To achieve this with a growing workload the program has implemented process improvement initiatives, system enhancements, and cross training. The Charities Program is cash funded through Charity Program-related fees and has not substantially increased its budget during this period.

For the Elections Division, as discussed in the previous response, the local election reimbursement payments are calculated as \$0.80 or \$0.90 per active registered elector in accordance with §1-5-505.5 C.R.S. Therefore, increases in population almost certainly result in increased costs (assuming the new Colorado residents are eligible to vote and register to do so). The policies pursued by Secretary Williams, including automatic voter registration, texting to register to vote, and the establishment of the Eliza Pickrell Routt Award for high schools that achieve an 85% registration rate of their graduating seniors, resulted in Colorado becoming the state with the highest percentage of registered voters. This increased registration rate enlarged the budget impact of the increased population.

9. Please provide an overview of the Department's current and future strategies for the use of outward facing technology (e.g. websites, apps) and the role of these technologies in the Department's interactions with the public.

The Department's strategy for several years has been to maximize timeliness and ease-of-use for customers and constituents using technology. The Department delivers the vast majority of services provided by our office through our website and its online filing and search capabilities. Our website is the primary means through which our customers interact with us and maintain statutory compliance in the program areas managed by our agency. Many customers never visit our physical office because our services are available online, which is why we continually strive to improve the usability of our online systems by applying user-centered design principles.

Our future strategy maintains this emphasis on providing full-featured web applications so that customers may leverage our services at times convenient for them since our website is available virtually 24 by 7, with the exception of scheduled infrastructure maintenance. We also provide online filings at a low cost, with filing fees for business registrations amongst the lowest in the nation. We allow searches of official filings and certified documents in many program areas for free. The

Department also provides online training courses and tutorials via an online learning management system so that constituents can learn about filing requirements and obtain required training from the convenience of their own computer rather than attending in-person trainings.

Another key component of our current and future strategy is to provide highly functional online experiences regardless of the device by which a user is visiting our website. Rather than develop custom downloadable applications to meet this objective, we are applying responsive design principles to our website applications that provide a rich user interface whether a user is using a desktop or laptop, a tablet, or a smartphone. This is crucial because many people already use their smartphone as their primary means of accessing the Internet and using online services.