



JOINT BUDGET COMMITTEE STAFF FY 2024-25 BUDGET BRIEFING SUMMARY

Colorado General Assembly
Joint Budget Committee

Department of State

The Department of State administers statutory provisions that pertain to elections; manages the statewide voter registration database; oversees campaign finance reporting; registers lobbyists and monitors the filing of required disclosures; collects, maintains, and provides public access to business filings; regulates charities and charitable gaming; and certifies notaries public. The Department's FY 2023-24 appropriation represents approximately 0.1 percent of statewide operating appropriations and 0.1 percent of statewide General Fund appropriations.

FY 2023-24 APPROPRIATION AND FY 2024-25 REQUEST

DEPARTMENT OF STATE						
	TOTAL FUNDS	GENERAL FUND	CASH FUNDS	REAPPROPRIATED FUNDS	FEDERAL FUNDS	FTE
FY 2023-24 APPROPRIATION:						
SB 23-214(Long Bill)	\$50,108,869	\$12,835,578	\$36,481,518	\$791,773	\$0	155.5
Other legislation	565,769	0	565,769	0	0	1.2
TOTAL	\$50,674,638	\$12,835,578	\$37,047,287	\$791,773	\$0	156.7
FY 2024-25 REQUESTED APPROPRIATION:						
FY 2023-24 Appropriation	\$50,674,638	12,835,578	\$37,047,287	\$791,773	0	156.7
R1 HAVA election security grant state match	234,488	0	234,488	0	0	0.0
R2 ADA IT accessibility	268,872	0	268,872	0	0	2.5
R3 Cybersecurity defense	450,000	0	450,000	0	0	0.0
R4 Inflation adjustment for IT	316,395	0	316,395	0	0	0.0
R5 Business fraud complaint support	54,063	0	54,063	0	0	1.0
R6 ERIC dues increase	50,000	0	50,000	0	0	0.0
Annualize prior year legislation	5,528,372	6,369,203	(383,482)	(457,349)	0	1.3
Informational adjustment	1,431,055	0	1,431,055	0	0	0.0
Centrally appropriated line items	1,269,473	0	1,269,473	0	0	0.0
Non-prioritized decision item	91,973	0	91,973	0	0	0.0
Annualize prior year budget actions	(12,981,488)	(12,265,576)	(381,488)	(334,424)	0	0.0
Technical adjustments	(76,976)	(302,142)	(76,976)	302,142	0	0.0
Indirect cost assessment	(32,282)	0	(32,282)	0	0	0.0
TOTAL	\$47,278,583	\$6,637,063	\$40,339,378	\$302,142	\$0	161.5
INCREASE/(DECREASE)	(\$3,396,055)	(\$6,198,515)	\$3,292,091	(\$489,631)	\$0	4.8
Percentage Change	(6.7%)	(48.3%)	8.9%	(61.8%)	0.0%	3.1%

R1 2022 HAVA ELECTION SECURITY GRANT STATE MATCH: The request includes \$234,488 in one-time DOS Cash Fund spending authority for FY 2024-25 to match a federal HAVA grant for \$1,172,438. The State must match 20.0 percent of these funds in order to access the federal funds, and must have the spending authority by April 10, 2025. This funding is used to support improvements in federal election administration and infrastructure, including the provision of grants to counties for physical and cyber security, improvements to the Statewide Colorado Registration and Election (SCORE) system, performing election audits, and cybersecurity improvements. If this request is not

approved, the Department would be required to return the \$1,172,438 in grant funding to the US Election Assistance Commission, as well as accumulated interest.

R2 AMERICANS WITH DISABILITIES ACT (ADA) IT ACCESSIBILITY: This request includes \$268,872 in DOS Cash Fund spending authority for FY 2024-25 to add 2.5 FTE for ADA accessibility compliance. The Department requests 1.0 FTE for an IT Professional and 1.5 FTE for two Temporary Aides to manually review DOS content for ADA accessibility. At present, DOS has over 30 public-facing applications, and automated processes are only able to detect around 30% of the issues related to ADA accessibility. Existing IT staffing within DOS is largely responsible for the development and updating of these proprietary applications. The Department requests this additional FTE for front-end development and review of applications to allow for continuous testing of Department content and applications to meet ADA guidelines.

R3 CYBERSECURITY DEFENSE: The request includes \$450,000 in DOS Cash Fund spending authority for technical testing of election systems. The Department aims to employ a variety of cybersecurity measures to maintain election security, including detection systems, penetration testing, automated AI response to threats, incident response, and securing code vulnerabilities. The request includes funding for both software and hardware upgrades, as well as a budget set-aside for industry contractors with relevant expertise.

R4 INFLATION ADJUSTMENT FOR HARDWARE/SOFTWARE LICENSING: The request includes \$316,395 for increased costs for hardware and software licensing. The Department last received an adjustment for market forces through a request made in November of 2021. Since then, persistent inflation has caused costs for IT services and licenses to rise. Furthermore, industry shifts in software licensing from perpetual licensing to subscription models has made it more difficult to defer upgrading software, since costs for software are increasingly annual, instead of up-front.

R5 BUSINESS FRAUD COMPLAINT SUPPORT: The request includes \$54,063 in DOS Cash Fund spending authority to hire 1.0 additional FTE in the Business and Licensing Division. The Department is requesting this funding to handle an anticipated increase in public contacts after January 1, 2024, due to the federal Corporate Transparency Act (CTA) entering into force. At present, there are 1.5 million firms filed with the Department, and if even a small fraction of these contact the department, it is likely to cause a backlog. Additionally, the implementation of S.B. 22-034 (Business Filing Address and Name Fraud) has seen over 1,000 complaints regarding fraudulent business filings, which has also contributed to increasing workload. The additional FTE for this request will handle both business fraud filing complaints and respond to CTA questions from Colorado businesses.

R6 ERIC DUES INCREASE The request includes \$50,000 in in DOS Cash Fund spending authority to pay for increases in membership fees for the Electronic Registration Information Center (ERIC) program. ERIC is a nonprofit comprised of member states. The organization helps to maintain current voter registration information for local authorities through checks on government documents across member states (e.g. DMV records, USPS change of address forms). This funding would primarily be used to pay membership dues, which have increased \$36,000 since FY 21-22, as well as supporting increasing operating costs.

SUMMARY OF ISSUES PRESENTED TO THE JOINT BUDGET COMMITTEE

ELECTION ADMINISTRATION COSTS: One of the most pressing issues facing the Department of State is the changes in reimbursement to counties for election costs brought about by the passage of S.B. 23-276. Presently, the Department subsidizes county costs at a rate of 80 or 90 cents per active registered voter, based on the number of eligible voters registered in each county, pursuant to Section 1-5-505.5, C.R.S. In instances, when there are odd-year elections in which the statewide ballot question is the only item on a county ballot, the Department reimburses the county for its actual direct costs. However, S.B. 23-276 will come into effect on July 1, 2024, significantly increasing county reimbursements for the 2024 General Election. The Department is requesting General Fund to cover the increased cost of these county reimbursements, rather than continuing to rely on the DOS Cash Fund

FOR MORE INFORMATION

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TO READ THE ENTIRE BRIEFING: Go to <http://leg.colorado.gov/content/budget/budget-documents> to use the budget document search tool. Select this department's name under *Department/Topic*, "Briefing" under *Type*, and select a *Start date* and *End date* to show documents released in November and December of 2023.