



Legislative Council Staff
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Fiscal Note

Drafting Number: LLS 24-0930 Date: February 21, 2024
Prime Sponsors: Rep. DeGraaf Bill Status: House State Affairs
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Bill Topic: VOTE TRACKING NUMBER ELECTIONS

Summary of Fiscal Impact:
[X] State Revenue [ ] State Transfer [X] Local Government
[X] State Expenditure [X] TABOR Refund [ ] Statutory Public Entity

The bill requires the use of distributed ledger technology in elections and establishes voter eligibility verification systems for in person and mail in voting. The bill increases state revenue and expenditures and local government expenditures on an ongoing basis.

Appropriation Summary: For the current FY 2023-24, the bill requires an appropriation of \$2.1 million. For FY 2024-25, the bill requires an appropriation of about \$6.3 million to the Department of State.

Fiscal Note Status: The fiscal note reflects the introduced bill.

Table 1
State Fiscal Impacts Under HB 24-1279

Table with 5 columns: Category, Sub-category, Current Year FY 2023-24, Budget Year FY 2024-25, Out Year FY 2025-26, Out Year FY 2026-27. Rows include Revenue (Cash Funds, Total Revenue), Expenditures (General Fund, Cash Funds, Total Expenditures), Transfers, and Other Budget (TABOR Refund, GF Reserve).

## **Summary of Legislation**

The bill establishes a system for the use of distributed ledgers in elections. A distributed ledger allows information to be entered into a publicly available common database from multiple locations at different times. The bill creates a system of vetting registrars and observer teams to verify the eligibility of both in-person and mail in voters, and a process to assign a unique identifier and other data about the cast vote record that can be maintained in the distributed ledger. Votes counted must be entered into the distributed ledger system, unless the vote was part of a manual count.

## **State Revenue**

The bill increases fee revenue in the Department of State (DOS) by \$6.3 million in FY 2024-25 and by at least that amount in future years until the new system is implemented, assuming DOS adjusts its fees to cover the estimated costs paid from the Department of State Cash Fund. As shown in Table 1, costs fluctuate year to year based on the number and types of elections held in any given year.

**Fee impact on businesses and professions.** Colorado law requires legislative service agency review of measures which create or increase any fee collected by a state agency. Under current law, DOS authorized to adjust fees so that the revenue generated approximates its direct and indirect costs. The DOS is primarily funded through business filing fees. To cover the costs described in the State Expenditures section below, fees will likely need to be raised to cover all or some of the costs of this bill. The fees affected and the actual amount of fee charges will be set administratively by the DOS based on cash fund balance, total program costs, and the estimated number of business activities subject to fees. This revenue is subject to TABOR.

## **State Expenditures**

The bill increases state expenditures in DOS by \$2.1 million in the current FY 2023-24, \$6.3 million in FY 2025-26, \$9.7 million in FY 2025-26, and \$26.8 million in FY 2026-27, paid from the Department of State Cash Fund, except for the current year expenditures and the \$20 million in system redesign costs in FY 2026-27, which will be paid from the General Fund. Costs will increase in the DOS to redesign the state's voting system. The earliest election at which this system could potentially be available is the 2028 general election. Until then, all vote tabulation must be done using a hand count, which will drive additional costs to DOS. Expenditures are shown in Table 2 and detailed below.

**Table 2**  
**Expenditures Under HB 24-1279**

	<b>Current Year FY 2023-24</b>	<b>Budget Year FY 2024-25</b>	<b>Out Year FY 2025-26</b>	<b>Out Year FY 2026-27</b>
<b>Department of State</b>				
Increase Reimbursement Costs	-	\$4,053,082	\$5,373,332	\$4,701,287
Statewide Hand Count Observation	\$2,105,600	\$2,105,600	\$4,211,200	\$2,105,600
System Redesign Costs	-	\$100,000	\$100,000	\$20,000,000
<b>Total</b>	<b>\$2,105,600</b>	<b>\$6,258,682</b>	<b>\$9,684,532</b>	<b>\$26,806,887</b>

<sup>1</sup> Centrally appropriated costs are not included in the bill's appropriation.

**Statewide hand count.** DOS will reimburse counties for a portion of the costs to conduct a statewide hand count election. Additionally, DOS will observe all hand counts. These costs were estimated based on the actual costs to conduct the 2022 Mesa County election using a hand count. DOS may be required to request additional resources above this amount through the annual budget process if costs for a statewide recount are higher than estimated.

- **County cost reimbursement.** Under current law, DOS will reimburse counties for 45 percent their election costs. Conducting elections by hand is estimated to increase these costs by at least 50 percent.
- **Observation.** DOS contracts with election observers for hand count elections. Based on the rate paid to these observers, a statewide hand count is estimated to cost \$2.1 million per election. In odd years, two elections (primary and coordinated elections) are conducted. It is assumed that for the current year, General Fund will be required. In future years, fees can be raised to fund it through the Department of State Cash Fund.

**System redesign costs.** DOS will have costs to redesign the voting system in line with the bill and existing law. These costs and timelines were informed by the early work done by Tusk Philanthropies, a non-profit investing in mobile voting secured through blockchain technology and are discussed below.

- **Study and planning.** As of this writing, blockchain voting systems have been used in pilot programs concerning overseas voting. The Uniformed and Overseas Citizens Absentee Voting Act established special procedures for overseas voting. It is assumed that the DOS will have costs in the first two years to study and plan for implementation for the general population. A contractor with skills in this area is estimated to cost at least \$100,000 per year for two years.
- **System development and implementation.** Pilot programs thus far, including the one conducted in the May 2019 Denver Municipal election have largely been funded by Tusk Philanthropies. In 2021, Tusk made an initial investment of \$10 million in developing a system that broader use than in the pilot programs. This is roughly the amount raised by

Voatz the application software used in the Denver election and elections in two other states. Given that blockchain technology raises security and scalability concerns and that the system will have to meet additional requirements, it is estimated that developing and implementing a system for statewide voting will cost at least \$20 million.<sup>1</sup>

- Given the magnitude of this cost relative to current DOS fee revenue, it is assumed that system development costs will be paid from the General Fund. This estimate and timeline will likely change once the study and planning concludes and more information is available. DOS will request funding as needed through the annual budget process.

## Other Budget Impacts

**TABOR refunds.** The bill is expected to increase the amount of state revenue required to be refunded to taxpayers by the amounts shown in the State Revenue section above. This estimate assumes the December 2023 LCS revenue forecast. A forecast of state revenue subject to TABOR is not available beyond FY 2025-26. Because TABOR refunds are paid from the General Fund, increased cash fund revenue will reduce the amount of General Fund available to spend or save.

**General Fund reserve.** Under current law, an amount equal to 15 percent of General Fund appropriations must be set aside in the General Fund statutory reserve. Based on this fiscal note, the bill is expected to increase the amount of General Fund held in reserve by the amounts shown in Table 1, decreasing the amount of General Fund available for other purposes.

## Local Government

**Statewide hand count.** As discussed in the State Expenditure section, counting all elections by hand until the new system is implemented is estimated to increase costs by 50 percent, resulting in an increase in local costs of between \$6 million and \$10 million annually. Of these new local costs, 45 percent will be reimbursed by DOS. Counties will be responsible for the additional 55 percent.

**System redesign.** Once the new system is developed by DOS, counties will have costs to update the voting equipment, train staff, and hire new staff as needed.

## Effective Date

The bill takes effect upon signature of the Governor, or upon becoming law without his signature.

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<sup>1</sup> Freed, B. (2021, October 4). Mobile voting booster Bradley Tusk to spend another \$10 million to build new system. StateScoop. <https://statescoop.com/mobile-voting-bradley-tusk-10-million>

## **State Appropriations**

For the current FY 2023-24, the bill requires an appropriation of \$2,105,600 to the Department of State from the General Fund.

For FY 2024-25, the bill requires an appropriation of \$6,258,682 to the Department of State from the Department of State Cash Fund.

## **State and Local Government Contacts**

Counties

County Clerks

Secretary of State

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The revenue and expenditure impacts in this fiscal note represent changes from current law under the bill for each fiscal year. For additional information about fiscal notes, please visit the [General Assembly website](#).