

DEPARTMENT OF STATE
FY 2010-11 JOINT BUDGET COMMITTEE HEARING AGENDA

Tuesday, November 17, 2009
9:00 am – 10:30 am

9:00 - 9:05 INTRODUCTIONS AND OPENING COMMENTS

9:05 - 9:20 ELECTIONS

1. What percentage of the Department’s appropriation is related to elections?

Response: Appropriations to the Department for elections-related purposes appear in various line items in the Long Bill, as follows:

Administration - Elections Division portion for FTE, operating, etc.	\$1,563,481
Legal Services- Elections-related portion	\$ 228,000
Local Election Reimbursement	\$1,729,923
Initiative and Referendum	\$ 50,000
HAVA (not appropriated, but shown for informational purposes)	\$2,356,286
Total:	\$5,927,690

The total of \$5,927,690 for elections-related purposes is 29% of the Department’s total appropriation of \$20.5 million for FY 2009-10. As indicated, this percentage includes nonappropriated HAVA funds expended for elections. However, this percentage does not include departmental indirect costs attributable to elections, such as Leased Space and Information Technology.

2. What percentage of the Department’s election-related activities is supported by business filing fees?

Response: Of the total funds expended on election-related activities in FY 08/09, 37% of the expenditures were supported by business fees; the remaining 63% were paid with HAVA funds. However, the elections expenditures represent only 21% of the business fees that comprise the DOS Cash Fund.

3. As a result of H.B. 09-1335, will the State require all paper ballots or is the goal that they just become the primary method for voting? How much will this transition cost the counties?

Response: H.B. 09-1335 created a five-year timeout on equipment purchases (except as approved by the Secretary of State) in an effort to assess voting system technology. The legislative declaration stated a preference for paper-based systems beginning in 2014 but does not preclude the use of electronic voting machines.

4. Does the Department anticipate any litigation as a result of the transfer to paper ballots, and if so, what is the anticipated cost at the State and county levels?

Response: The 2006 litigation was based on challenges to the use of electronic voting machines rather than the use of paper ballots. With the five-year timeout set forth in H.B. 09-1335, we do not anticipate litigation with regard to the use of either electronic voting machines or paper ballots.

9:20 – 9:35 HAVA

5. Please briefly describe the process for replacing the punch card and lever voting machines in the counties. Did any counties experience difficulties?

Response: HAVA allocated special funds to states for counties to replace their punch card and lever voting equipment. The Department identified five counties that needed to replace such machines: Jefferson, Boulder, Mesa, Pitkin, and Montrose. The Department was given over \$2 million dollars to distribute to these counties upon replacement of the equipment. All counties except Montrose had replaced their punch card and lever machines before 2005, and Montrose replaced their equipment in 2006. The counties were free to choose their replacement equipment. The Department is not aware these counties had any difficulties in replacing the equipment.

6. Please describe the fiscal impact of HAVA requirements at the county level. Once HAVA funds are exhausted, will the fiscal impact on counties increase?

Response: The passage of HAVA in 2002 has had a number of impacts on counties, including the following:

- Punch-card machine replacement. HAVA required states to replace punch-card voting equipment. Colorado had five counties with punch-card voting systems. The Secretary of State provided those counties with \$2.2 million in HAVA funds to replace their voting systems.
- Accessible voting devices. HAVA required that every polling place must have at least one voting device that enables the disabled or visually impaired to vote independently and privately. The Secretary of State provided counties with approximately \$15 million in HAVA funds to assist with complying with this requirement.
- Statewide voter registration system. HAVA required every state to implement a statewide voter registration system. Colorado met this requirement by implementing the SCORE system in 2007-08. SCORE provides counties with an election management system in addition to a voter registration system. Counties therefore no longer have the expense of maintaining their own voter registration and election management systems. The Secretary of State implemented the SCORE system without charge to counties, and the Secretary of State maintains the system for the counties without charge.
- Disability grants. HAVA provides for federal grants to improve access for disabled voters at polling places. Each year the Secretary of State applies for the maximum

amount of federal funds available to the State of Colorado. To date, the Secretary of State has awarded counties approximately \$712,000 in federal disability grants.

HAVA imposes requirements on the counties regarding “list maintenance”. This means that counties must regularly maintain the statewide voter database by removing ineligible voters, deceased individuals, and duplicate registrations. When the SCORE system was implemented, 64 individual county databases were combined into a single database. Since many voters had moved over the years from county to county, this meant that their individual records in different counties were transferred into the statewide database. Thus, many voters have multiple separate records in the SCORE database. Therefore, a substantial effort is underway by the counties to merge the separate records for each voter into a single record. Identifying and merging records requires a great deal of staff time by the counties, and the effort may not be completed for a couple of years.

The SCORE system provides counties with some efficiencies regarding their voter registration duties. For example, when citizens register to vote at DMV offices at the time they get their driver’s licenses, their voter registration information is automatically imported into the SCORE system, saving county clerk offices from entering the data manually.

When HAVA funds are exhausted, we do not expect that the fiscal impact of HAVA on counties will increase.

7. Does the Department plan to change the elections funding formula so that counties will receive additional moneys? When was the most recent change to the funding formula?

Response: Counties are reimbursed a portion of their costs of conducting elections involving state offices and state ballot measures according to a statutory formula. The Long Bill provides \$1.7 million annually for such reimbursement. The current statutory formula is as follows:

- For counties with 10,000 or fewer active registered voters, 80 cents per voter.
- For counties with more than 10,000 active registered voters, 70 cents per voter.

The formula was last adjusted in 2006 (S.B. 06-170). Since that time, the counties’ costs of conducting elections have risen substantially. Therefore, the Department believes that an increase in the state contribution is warranted. However, the Department recognizes that additional funding is not available during the State’s current budget crisis.

9:35 – 9:45 SCORE

8. Do counties have input in how the SCORE system is managed? Is there a steering or advisory committee so that counties may have input?

Response: Yes, the counties have input on the SCORE system. In May of 2009, the Secretary of State adopted Election Rule 49.4, which established the SCORE Advisory

Board. The Board provides guidance regarding the operation and maintenance of the SCORE system, including but not limited to user training, help desk requirements, service level agreements, vendor evaluation, and the identification, development, and prioritization of future enhancements to functionality of the system.

The following people are members of the SCORE Advisory Board:

Cynthia Coleman – Larimer County
Debra Green – Park County
Hillary Hall – Boulder County
Corinne Lengel – Lincoln County
Michelle Nauer – Ouray County
Gilbert Ortiz – Pueblo County
Russ Ragsdale – Broomfield County
Sheila Reiner – Mesa County
Michael Scarpello – Denver County
Teak Simonton – Eagle County

The Board has had four meetings this year and plans to have two additional meetings before the end of the year.

9. Do counties receive technical assistance for implementing the SCORE system?

Response: The Department created a new Elections Customer Support Unit, which provides call center and web-based support to counties. This team of four permanent, full-time staff provides daily application support to county personnel. The use of web-based training sessions, webinars, and one-on-one remote support has allowed the Department to provide high quality support while minimizing travel expenses. In addition, the Department provided the following technical assistance during implementation of SCORE:

- **Initial SCORE System Training.** The Department conducted a series of week-long application training sessions for county elections staff in late 2007 and early 2008. Over a period of four months, the Department provided training for several hundred county staff to prepare for use of the SCORE system as it was deployed.
- **Field Support Staff.** The Department contracted with the SCORE developer who hired seven field support staff that traveled throughout the state to provide follow-on training, resolve issues, and foster improved adoption of the SCORE system by county officials. This on-site and remote support was provided from April 2008 through December 2008.
- **In-person Training Sessions.** The Department typically has provided training sessions on the SCORE system at statewide and regional county clerk conferences.
- **Statewide Mock Election Exercise.** The Department planned and facilitated a two-week mock election exercise in April and May 2008. All 64 counties in the State participated in the exercise. This exercise not only served to provide an intense real-world training, it also helped identify critical issues to be addressed

prior to the primary and general elections of 2008, as well as demonstrating the readiness of the system for use for those elections.

- **Technical Problem Resolution.** The Department contracted with a vendor to provide additional technical resources to respond to critical technical issues during 2008. These resources provided key recommendations and resolution for several issues (e.g., printing and scanning issues, network connectivity, network load balancing).

9:45 – 10:00 E-FORT

10. What is the Department's position about managing E-fort (the statewide data recovery center)? Does it want to continue managing the facility? Are there plans to include it in the OIT consolidation?

Response: The Department operates the e-FORT disaster recovery center on behalf of state agencies at an annual cost of about \$2.3 million to the Department's cash funds (business fees). The Department would support legislation shifting management of the statewide disaster recovery facility to the Governor's Office of Information Technology (OIT). There are three key components for accomplishing this shift:

- Creation of explicit statutory authority for the statewide disaster recovery facility. This key state asset should be authorized by specific language perhaps patterned on the statutes concerning the general government computer center (GGCC) (section 24-37.5-601, C.R.S.) or the state telecommunications network (section 24-33.5-223, C.R.S.);
- Shift management responsibility and accountability for the facility from the Department to the OIT. The Department will work cooperatively with the OIT to ensure a smooth transition of this responsibility; and,
- Adoption of a plan for gradual transition of the funding of the e-FORT to a shared cost model. The Department of State cash fund currently supports the entire operation of the statewide disaster recovery center. The Department recommends this funding model remain unchanged for FY 2010-11. The Department recommends a gradual move during FY 2011-12 and FY 2012-13 to a fee-for-service model administered by the OIT. This could be similar to the manner in which funding is provided and appropriated for the GGCC and the state's telecommunications network.

The Department notes this recommendation was considered as a Joint Budget Committee briefing issue during the 2009 legislative session. The Department continues to support this recommendation. The Department intends to contact the State Chief Information Officer as head of the OIT and the head of the Office of State Planning and Budget and is hopeful that legislation addressing these three components will be introduced during the 2010 legislative session.

11. Do other departments use E-Fort, and if so, is this use funded by Department of State Cash Fund?

Response: Yes. Twenty-four state programs from 14 agencies currently utilize the facility. Four institutions of higher education are included among those programs. Additional institutions and one agency which are not currently utilizing the facility are actively installing and/or defining technical requirements in preparation for using the facility.

Use of the facility, as noted in the response to Question 10, is almost entirely funded by the Department of State Cash Fund. The limited exceptions are generally one-time costs associated with an entity's specific non-standard requirements (e.g., a floor-to-ceiling cage inside the secured data center to contain the locking cabinets provided as standard issue). Other than those few exceptions, there is no cost to entities for use of the facility.

10:00 – 10:20 BUSINESS FEES

12. Will transferring HAVA expenditures from the Federal Elections Assistance Fund to the Department of State Cash Fund cause business fees to increase? If not, why not?

Response: The Department proposes to gradually transfer the HAVA (Federal Funds – non-appropriated) costs (just under half a million dollars in FY 2010-11) to absorb them under the Department of State's Cash Fund appropriations. It is anticipated that some existing costs paid from the Department of State Cash Fund may decline or be eliminated, so that the Department of State Cash Fund could absorb HAVA expenditures. For example, most of the \$3.2 million in annual HAVA expenditures would be offset if the management of e-FORT is shifted to OIT and the \$2.3 million annual cost of operating e-FORT is allocated proportionately among participating agencies. In addition, revenue from existing business fees will likely continue to increase as the number of business filings increase in the next few years, but we do not anticipate a proportionate increase in the Department's costs of administering business filings; therefore, there may be additional revenue that would be available to support a portion of the cost of HAVA activities.

13. Does the Department anticipate an increase or decrease in certain types of business filings in the upcoming years? Does it anticipate any other changes to the Cash Fund's revenue stream?

Response: With the current economic situation, the Department has not seen a significant change in the total number of all business filings. Some categories of filings have diminished, such as annual reports and UCC filings, but others like trade names have increased. However, as the economy improves and the population increases, the Department anticipates that the number of filings and the revenues will experience some growth.

14. If the Department reduced its expenditures, could it then reduce the business filing fees?

Response: See response to #15 below.

15. How can the Department reduce the business filing fees? What can be done to reduce the fiscal impact on businesses?

Response to Questions 14 and 15: If the Department permanently reduced its expenditures, it could reduce its business filing fees. However, the Department's business filing fees are generally already the lowest in the nation. The feedback we receive from the business community, including our "Business Advisory Committee", is that the business community is pleased with the current level of fees and the value of services received for those fees.

10:20 – 10:30 REQUESTS FOR INFORMATION

16. Please provide responses to the requests for information that accompanied the FY 2009-10 Long Bill. The requests are listed below.

- a) **Department of State, Administration, Personal Services** -- The Department of State is requested to provide to the Joint Budget Committee by November 1, 2009, as part of the Department's annual budget request, a breakdown of how FTE and funds are distributed throughout the Administration Division.
- b) **Department of State, Administration, Address Confidentiality Program** -- The Department of State is requested to provide to the Joint Budget Committee by November 1, 2009, an annual budget report for the Address Confidentiality Program. The report should reflect monthly expenditures, the number of participants served, and the number of pieces of participants' mail processed monthly.
- c) **Department of State, Information Technology Services, Information Technology, Personal Services** -- The Department of State is requested to provide to the Joint Budget Committee by November 1, 2009, information concerning expenditures related to the Department's new accounting system. The report should include the status of the new accounting system and its costs. The requested information should be submitted as part of the Department of State's annual budget request.

STATE OF COLORADO
Department of State
1700 Broadway
Suite 250
Denver, CO 80290



Bernie Buescher
Secretary of State

William A. Hobbs
Deputy Secretary of State

November 17, 2009

To: Joint Budget Committee

From: Colorado Department of State

Subject: FTE Allocation

The Colorado Department of State (CDOS) was requested to provide information to the Joint Budget Committee by November 17, 2009 as follows:

Department of State, Administration – The Department is requested to provide to the Joint Budget Committee by November 17, 2009, as part of the Department's annual budget request, a breakdown of FTE and funds are distributed amongst the sections within the Administration Division.

Attached is an excel spreadsheet that allocates each FTE according to the Long Bill by Division.

Department of State FTE Allocations as of October 30, 2009

SB 09-259 Long Bill FTE Allocations

Long Bill Section	Allocated FTE	Allocations			
		Filled	Vacancies	Total	Budget
(1) Administration	85.5				
Administration		11.5	2	13.5	\$1,006,336
Business		28	2	30	\$1,710,144
Elections		16.5	5	21.5	\$1,236,713
Licensing		19	1.5	20.5	\$1,218,210
Total		75.0	10.5	85.5	
Address Confidentiality Program	1.0	1.0		1.0	\$67,095
Administration Total	86.5	76.0	10.5	86.5	\$5,238,498
(2) Special Purpose					
HAVA	10.0	10.0	0.0	10.0	\$851,443
(3) Information Technology					
Statewide Disaster Recovery Center	2.0	2.0	0.0	2.0	\$147,989
Departmental Allocation	129.6	114.0	15.6	129.6	\$8,954,680

STATE OF COLORADO
Department of State
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Bernie Buescher
Secretary of State

William A. Hobbs
Deputy Secretary of State

November 17, 2009

To: Joint Budget Committee

From: Colorado Department of State

Subject: ACP Budget Information

The Colorado Department of State (CDOS) was requested to provide information to the Joint Budget Committee by November 1, 2009 as follows:

Department of State, Administration, Address Confidentiality Program – The Department is requested to provide to the Joint Budget Committee by November 1, 2009, an annual budget report for the Address Confidentiality Program. The report should reflect monthly expenditures, the number of participants served, and the number of pieces of “Participants” mail process monthly.

Attached is an excel spreadsheet that reflects the budget to actual and the participant count along with pieced of mail forwarded monthly.

2009-2010
ALLOTMENT SUMMARY BY OBJECT

Appropriation	OBJECT	DESCRIPTION OBJECT	FTE	ACTUAL	PROJECTION	Informational Purposes Wish List FY 2010 AMOUNT
				FISCAL YEAR 2009 (7-1-09 to 10-30-09) AMOUNT	FISCAL YEAR 2009 (11-01-09 to 6-30-10) AMOUNT	
		Salaries and Wages				
V01	1110	Regular Wages		\$ 17,176	\$ 34,352	
		Non-Base Building Performance		\$ -		
		Employee Benefits				
V11	1510	Dental		\$ 144	\$ 288	
	1511	Health		\$ 2,508	\$ 5,016	
	1512	Life		\$ 36	\$ 72	
	1513	Disability		\$ 28	\$ 56	
	1520	FICA - Medicare Contribution		\$ 248	\$ 496	
	1522	PERA		\$ 1,744	\$ 3,488	
	1524	AED		\$ 308	\$ 616	
	1525	AED Supplemental		\$ 172	\$ 344	
		Supplies				
V11	3121	Number Labels		\$ -	\$ -	\$ -
		General Supplies		\$ 864	\$ 1,064	\$ -
		Office Equipment		\$ -	\$ -	\$ -
		Building Maintenance and Repair		\$ -	\$ -	\$ -
		Dues and Memberships		\$ -	\$ -	\$ -
	3124	Printing/Copy Supplies		\$ 43	\$ -	\$ -
		Lease Space				
V33		Rental of Buildings		\$ 2,080	\$ 4,160	
		Communications				
V11	2630	Toll Free 1-800 number		\$ -	\$ -	\$ -
	2631	Telephone/Dataline lease/rental		\$ 6	\$ 15	\$ -
		Printing				
V11	2680	General printing (stationary, envelopes, brochures and guides)		\$ 646	\$ 972	
		Travel				
	2510	In-State Travel - Lodging / misc		\$ 253	\$ -	\$ -
	2511	In State Travel Common Carrier		\$ -	\$ -	\$ -
	2512	In-State Travel Per Diem		\$ -	\$ -	\$ -
	2513	In-State Vehicle Reimbursement		\$ 75	\$ -	\$ -
	2515	Motorpool		\$ -	\$ -	\$ -
	2530	Out-of-State Travel		\$ -	\$ -	\$ -
	2531	OS Common Carrier Fares		\$ -	\$ -	\$ -
	2532	OS Personal Travel Per Diem		\$ -	\$ -	\$ -
		Training				
V11	4181	Application Assistant/training & materials		\$ -	\$ -	\$ -
		Data Processing				
V11	3115	Data Processing Supplies		\$ -	\$ -	\$ -
		Software - \$5000 and under		\$ -	\$ -	\$ -
		Registration Fees				
V11	4180	Registration Fees		\$ -	\$ -	\$ -
V11	4220	Registration Fees - Annual Attorney Renewal		\$ 250	\$ -	\$ -
		Mailing				
	3123	Postage		\$ 4,711	\$ 5,609	
	2820	Central Services - security, sort, delivery, pick-up		\$ 765	\$ 2,295	
		Total Spending		\$ 32,057	\$ 58,843	
		Total		\$ 32,057	\$ 58,843	
		Appropriation		\$ -	\$ 78,215	
		Total (defecit/surplus)		\$ -	\$ 12,685	
		Difference (Savings)		\$ -	\$ -	

**Fiscal Year 2009 (7/1/09 - 6/30/10)
 Allotments By Fiscal Month
 Program Index: ACP**

OBJ	FTE		FISCAL MONTH												YEAR TOTAL	
	SUB OBJ	SUB-SUB OBJ	01-Jul	02-Aug	03-Sep	04-Oct	05-Nov	06-Dec	07-Jan	08-Feb	09-Mar	10-Apr	11-May	12-Jun		
	V01	1110	4,294	4,294	4,294	4,294	4,294	4,294	4,294	4,294	4,294	4,294	4,294	4,294		4,294
Benefits	V11	1310	36	36	36	36	36	36	36	36	36	36	36	36	36	429
		1510	627	627	627	627	627	627	627	627	627	627	627	627	627	7,525
		1511	9	9	9	9	9	9	9	9	9	9	9	9	9	113
		1512	7	7	7	7	7	7	7	7	7	7	7	7	7	80
		1513	62	62	62	62	62	62	62	62	62	62	62	62	62	747
		1520	436	436	436	436	436	436	436	436	436	436	436	436	436	5,230
Supplies	V11	3121	613	(5)	9	247	245	33	20	618	50	98				1,928
	V11	2220	520	520	520	520	520	520	520	520	520	520	520	520	6,241	
	V33	2255														
Communications	V11	2630		5	1									15	20	
	V11	2680	152	16	62	416	57	114	300	41	111	250	100		1,618	
Printing	V11															
	V11															
Travel	V11															
	V11	4181			328	116	89								532	
Postage	V11	2820	1,393	510	742	1,266	255	702	255	702	255	702	255	702	2,805	
	V11	3123					1,310								10,327	

Fiscal Year 2009 (7/1/09 - 6/30/10)
 Allotments By Fiscal Month
 Program Index: ACP

OBJ	FTE		FISCAL MONTH												YEAR TOTAL
	SUB OBJ	SUB-SUB OBJ	01-Jul	02-Aug	03-Sep	04-Oct	05-Nov	06-Dec	07-Jan	08-Feb	09-Mar	10-Apr	11-May	12-Jun	
	V11	3124	43												
Registration Fees	V11	4140	250												
	V11	4220	250												

Total Fund	Approp		8,519	7,423	7,448	8,667	8,667	7,486	7,215	7,389	7,816	7,068	7,229	7,416	7,183	90,860
			8,519	7,423	7,448	8,667	7,486	7,215	7,389	7,816	7,068	7,229	7,416	7,183		90,860

Total Appropriation 78,215
 Total 78,215
 Surplus/Defecit (12,645)

Projected expenditures

Fiscal Year 2009-10

Jul-09 Aug-09 Sep-09 Oct-09 Nov-09 Dec-09 Jan-10 Feb-10 Mar-10 Apr-10 May-10 Jun-10

People Breakdown

Number of New Participants
Number of Participants Lost

49	36	54	42							
8	3	0	0							

Total Active Participants

Number of New Households
Number of Households Lost

22	16	20	16							
2	1	0	0							

Total Active Households

Number of New Application Assistants
Number of Application Assistants Lost

2	8	14	11							
3	0	0	0							

Total Active Application Assistants

Incoming Mail

Incoming Mail for Participants that SOS forwards
Incoming Mail for SOS

1953	1851	2065	2623							
31	19	38	29							

Total Incoming Mail Received by program by month

Outgoing Mail Breakdown

Number of Items Forwarded to the "Primary Participant"
Number of Items Forwarded to "Family Members"

756	808	894	1074							
2	0	0	1							

SOS mail sent on behalf of new participants (court notices,
SOS mail sent for program publicity purposes (outreach)
SOS mail sent to Application Assistants

50	52	38	20							
197	0	0	0							
13	5	10	4							

Total Number of Pieces Sent By The Program by month

Postage Cost*

Total Cost Reported in FDW by month

Total Cost Reported by Central Services by month

\$991	\$815	\$933	\$1,135							
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* Does not include cost for central services to process and secure delivery and pick-up of mail. (\$245 in 2008-09, and \$255 in 2009-2010).

STATE OF COLORADO

Department of State

1700 Broadway
Suite 250
Denver, CO 80290



Bernie Buescher

Secretary of State

William A. Hobbs
Deputy Secretary of State

Memorandum

To: Joint Budget Committee

From: Bernie Buescher

Date: November 9, 2009

Re: Request For Information – Accounting System

This memorandum is submitted in response to Request for Information #3 from the Department of State's FY 2009-10 budget request, which is shown below:

(3) Department of State, Information Technology Services, Information Technology, Personal Services -- The Department of State is requested to provide to the Joint Budget Committee by November 1, 2009, information concerning expenditures related to the Department's new accounting system. The report should include the status of the new accounting system and its costs. The requested information should be submitted as part of the Department of State's annual budget request.

The Department to date has made no expenditures related to a new accounting system.

The Department, as was indicated in the November 12, 2008 Joint Budget Committee (JBC) briefing document, engaged the Governor's Office of Information Technology (OIT), the Department of Transportation (CDOT), the State Controller's Office (SCO), the State Purchasing Office (SPO) and representatives of the Department of Law (DOL). This effort was intended to further evaluate the department's need and request for a new accounting system and ascertain the suitability of existing state investments for this purpose. The Department's change request was originally approved by the JBC for the 2008-09 and 2009-10 fiscal years.

The Department was unsuccessful in seeking to leverage the existing state investment in a large-scale enterprise resource planning (ERP) system used by the CDOT, mostly due to limitations on expanding use of that system under the state procurement code. Due to the delays in initiating the accounting system replacement project by seeking to involve multiple state agencies, the Department sought permission from the SCO to roll funding forward into the 2009-10 fiscal year. This request was partially approved

The Department then created and published a Request for Information (RFI) for the accounting system replacement project. The scope of the RFI was purposely reduced to meet the Department's identified needs (e.g., accounts receivable, billing, account management, point of sale integration). This approach also means the Department would forgo more sophisticated enterprise-level functionality which might be necessary for a

truly enterprise-ready system. The Department did work with the OIT and SPO to ensure that vendors providing suitable responses to this RFI could be eligible to engage with other government entities with similar needs for similar systems.

The Department received responses to this RFI on November 2, 2009. It is conducting an initial review of these responses to determine the viability of the systems to meet the Department's need. This review is focused in four areas:

- Do viable solutions exist which can meet the Department's need expressed in the RFI?
- Are there critical gaps in the functionality or capabilities of proposed solutions which need to be explored?
- Can implementation of proposed solutions be achieved within the appropriation and by the end of FY 2009-10? and,
- Should the Department proceed or should it defer action with respect to replacing the existing accounting system? What are the ramifications of postponing action?

The Department will respond at our budget hearing in November 2009 with additional information obtained through this initial review.

DEPARTMENT OF STATE
FY 2010-11 JOINT BUDGET COMMITTEE HEARING AGENDA

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9:20 – 9:35 HAVA

5. Please briefly describe the process for replacing the punch card and lever voting machines in the counties. Did any counties experience difficulties?

Response: HAVA allocated special funds to states for counties to replace their punch card and lever voting equipment. The Department identified five counties that needed to replace such machines: Jefferson, Boulder, Mesa, Pitkin, and Montrose. The Department was given over \$2 million dollars to distribute to these counties upon replacement of the equipment. All counties except Montrose had replaced their punch card and lever machines before 2005, and Montrose replaced their equipment in 2006. The counties were free to choose their replacement equipment. The Department is not aware these counties had any difficulties in replacing the equipment.

6. Please describe the fiscal impact of HAVA requirements at the county level. Once HAVA funds are exhausted, will the fiscal impact on counties increase?

Response: The passage of HAVA in 2002 has had a number of impacts on counties, including the following:

- Punch-card machine replacement. HAVA required states to replace punch-card voting equipment. Colorado had five counties with punch-card voting systems. The Secretary of State provided those counties with \$2.2 million in HAVA funds to replace their voting systems.
- Accessible voting devices. HAVA required that every polling place must have at least one voting device that enables the disabled or visually impaired to vote independently and privately. The Secretary of State provided counties with approximately \$15 million in HAVA funds to assist with complying with this requirement.
- Statewide voter registration system. HAVA required every state to implement a statewide voter registration system. Colorado met this requirement by implementing the SCORE system in 2007-08. SCORE provides counties with an election management system in addition to a voter registration system. Counties therefore no longer have the expense of maintaining their own voter registration and election management systems. The Secretary of State implemented the SCORE system without charge to counties, and the Secretary of State maintains the system for the counties without charge.
- Disability grants. HAVA provides for federal grants to improve access for disabled voters at polling places. Each year the Secretary of State applies for the maximum

amount of federal funds available to the State of Colorado. To date, the Secretary of State has awarded counties approximately \$712,000 in federal disability grants.

HAVA imposes requirements on the counties regarding “list maintenance”. This means that counties must regularly maintain the statewide voter database by removing ineligible voters, deceased individuals, and duplicate registrations. When the SCORE system was implemented, 64 individual county databases were combined into a single database. Since many voters had moved over the years from county to county, this meant that their individual records in different counties were transferred into the statewide database. Thus, many voters have multiple separate records in the SCORE database. Therefore, a substantial effort is underway by the counties to merge the separate records for each voter into a single record. Identifying and merging records requires a great deal of staff time by the counties, and the effort may not be completed for a couple of years.

The SCORE system provides counties with some efficiencies regarding their voter registration duties. For example, when citizens register to vote at DMV offices at the time they get their driver’s licenses, their voter registration information is automatically imported into the SCORE system, saving county clerk offices from entering the data manually.

When HAVA funds are exhausted, we do not expect that the fiscal impact of HAVA on counties will increase.

7. Does the Department plan to change the elections funding formula so that counties will receive additional moneys? When was the most recent change to the funding formula?

Response: Counties are reimbursed a portion of their costs of conducting elections involving state offices and state ballot measures according to a statutory formula. The Long Bill provides \$1.7 million annually for such reimbursement. The current statutory formula is as follows:

- For counties with 10,000 or fewer active registered voters, 80 cents per voter.
- For counties with more than 10,000 active registered voters, 70 cents per voter.

The formula was last adjusted in 2006 (S.B. 06-170). Since that time, the counties’ costs of conducting elections have risen substantially. Therefore, the Department believes that an increase in the state contribution is warranted. However, the Department recognizes that additional funding is not available during the State’s current budget crisis.

9:35 – 9:45 SCORE

8. Do counties have input in how the SCORE system is managed? Is there a steering or advisory committee so that counties may have input?

Response: Yes, the counties have input on the SCORE system. In May of 2009, the Secretary of State adopted Election Rule 49.4, which established the SCORE Advisory

Board. The Board provides guidance regarding the operation and maintenance of the SCORE system, including but not limited to user training, help desk requirements, service level agreements, vendor evaluation, and the identification, development, and prioritization of future enhancements to functionality of the system.

The following people are members of the SCORE Advisory Board:

Cynthia Coleman – Larimer County
Debra Green – Park County
Hillary Hall – Boulder County
Corinne Lengel – Lincoln County
Michelle Nauer – Ouray County
Gilbert Ortiz – Pueblo County
Russ Ragsdale – Broomfield County
Sheila Reiner – Mesa County
Michael Scarpello – Denver County
Teak Simonton – Eagle County

The Board has had four meetings this year and plans to have two additional meetings before the end of the year.

9. Do counties receive technical assistance for implementing the SCORE system?

Response: The Department created a new Elections Customer Support Unit, which provides call center and web-based support to counties. This team of four permanent, full-time staff provides daily application support to county personnel. The use of web-based training sessions, webinars, and one-on-one remote support has allowed the Department to provide high quality support while minimizing travel expenses. In addition, the Department provided the following technical assistance during implementation of SCORE:

- **Initial SCORE System Training.** The Department conducted a series of week-long application training sessions for county elections staff in late 2007 and early 2008. Over a period of four months, the Department provided training for several hundred county staff to prepare for use of the SCORE system as it was deployed.
- **Field Support Staff.** The Department contracted with the SCORE developer who hired seven field support staff that traveled throughout the state to provide follow-on training, resolve issues, and foster improved adoption of the SCORE system by county officials. This on-site and remote support was provided from April 2008 through December 2008.
- **In-person Training Sessions.** The Department typically has provided training sessions on the SCORE system at statewide and regional county clerk conferences.
- **Statewide Mock Election Exercise.** The Department planned and facilitated a two-week mock election exercise in April and May 2008. All 64 counties in the State participated in the exercise. This exercise not only served to provide an intense real-world training, it also helped identify critical issues to be addressed

prior to the primary and general elections of 2008, as well as demonstrating the readiness of the system for use for those elections.

- **Technical Problem Resolution.** The Department contracted with a vendor to provide additional technical resources to respond to critical technical issues during 2008. These resources provided key recommendations and resolution for several issues (e.g., printing and scanning issues, network connectivity, network load balancing).

9:45 – 10:00 E-FORT

10. What is the Department's position about managing E-fort (the statewide data recovery center)? Does it want to continue managing the facility? Are there plans to include it in the OIT consolidation?

Response: The Department operates the e-FORT disaster recovery center on behalf of state agencies at an annual cost of about \$2.3 million to the Department's cash funds (business fees). The Department would support legislation shifting management of the statewide disaster recovery facility to the Governor's Office of Information Technology (OIT). There are three key components for accomplishing this shift:

- Creation of explicit statutory authority for the statewide disaster recovery facility. This key state asset should be authorized by specific language perhaps patterned on the statutes concerning the general government computer center (GGCC) (section 24-37.5-601, C.R.S.) or the state telecommunications network (section 24-33.5-223, C.R.S.);
- Shift management responsibility and accountability for the facility from the Department to the OIT. The Department will work cooperatively with the OIT to ensure a smooth transition of this responsibility; and,
- Adoption of a plan for gradual transition of the funding of the e-FORT to a shared cost model. The Department of State cash fund currently supports the entire operation of the statewide disaster recovery center. The Department recommends this funding model remain unchanged for FY 2010-11. The Department recommends a gradual move during FY 2011-12 and FY 2012-13 to a fee-for-service model administered by the OIT. This could be similar to the manner in which funding is provided and appropriated for the GGCC and the state's telecommunications network.

The Department notes this recommendation was considered as a Joint Budget Committee briefing issue during the 2009 legislative session. The Department continues to support this recommendation. The Department intends to contact the State Chief Information Officer as head of the OIT and the head of the Office of State Planning and Budget and is hopeful that legislation addressing these three components will be introduced during the 2010 legislative session.

11. Do other departments use E-Fort, and if so, is this use funded by Department of State Cash Fund?

Response: Yes. Twenty-four state programs from 14 agencies currently utilize the facility. Four institutions of higher education are included among those programs. Additional institutions and one agency which are not currently utilizing the facility are actively installing and/or defining technical requirements in preparation for using the facility.

Use of the facility, as noted in the response to Question 10, is almost entirely funded by the Department of State Cash Fund. The limited exceptions are generally one-time costs associated with an entity's specific non-standard requirements (e.g., a floor-to-ceiling cage inside the secured data center to contain the locking cabinets provided as standard issue). Other than those few exceptions, there is no cost to entities for use of the facility.

10:00 – 10:20 BUSINESS FEES

12. Will transferring HAVA expenditures from the Federal Elections Assistance Fund to the Department of State Cash Fund cause business fees to increase? If not, why not?

Response: The Department proposes to gradually transfer the HAVA (Federal Funds – non-appropriated) costs (just under half a million dollars in FY 2010-11) to absorb them under the Department of State's Cash Fund appropriations. It is anticipated that some existing costs paid from the Department of State Cash Fund may decline or be eliminated, so that the Department of State Cash Fund could absorb HAVA expenditures. For example, most of the \$3.2 million in annual HAVA expenditures would be offset if the management of e-FORT is shifted to OIT and the \$2.3 million annual cost of operating e-FORT is allocated proportionately among participating agencies. In addition, revenue from existing business fees will likely continue to increase as the number of business filings increase in the next few years, but we do not anticipate a proportionate increase in the Department's costs of administering business filings; therefore, there may be additional revenue that would be available to support a portion of the cost of HAVA activities.

13. Does the Department anticipate an increase or decrease in certain types of business filings in the upcoming years? Does it anticipate any other changes to the Cash Fund's revenue stream?

Response: With the current economic situation, the Department has not seen a significant change in the total number of all business filings. Some categories of filings have diminished, such as annual reports and UCC filings, but others like trade names have increased. However, as the economy improves and the population increases, the Department anticipates that the number of filings and the revenues will experience some growth.

14. If the Department reduced its expenditures, could it then reduce the business filing fees?

Response: See response to #15 below.

15. How can the Department reduce the business filing fees? What can be done to reduce the fiscal impact on businesses?

Response to Questions 14 and 15: If the Department permanently reduced its expenditures, it could reduce its business filing fees. However, the Department's business filing fees are generally already the lowest in the nation. The feedback we receive from the business community, including our "Business Advisory Committee", is that the business community is pleased with the current level of fees and the value of services received for those fees.

10:20 – 10:30 REQUESTS FOR INFORMATION

16. Please provide responses to the requests for information that accompanied the FY 2009-10 Long Bill. The requests are listed below.

- a) **Department of State, Administration, Personal Services** -- The Department of State is requested to provide to the Joint Budget Committee by November 1, 2009, as part of the Department's annual budget request, a breakdown of how FTE and funds are distributed throughout the Administration Division.
- b) **Department of State, Administration, Address Confidentiality Program** -- The Department of State is requested to provide to the Joint Budget Committee by November 1, 2009, an annual budget report for the Address Confidentiality Program. The report should reflect monthly expenditures, the number of participants served, and the number of pieces of participants' mail processed monthly.
- c) **Department of State, Information Technology Services, Information Technology, Personal Services** -- The Department of State is requested to provide to the Joint Budget Committee by November 1, 2009, information concerning expenditures related to the Department's new accounting system. The report should include the status of the new accounting system and its costs. The requested information should be submitted as part of the Department of State's annual budget request.