

D38I01
State Board of Elections

Operating Budget Data

	(\$ in Thousands)				
	FY 02	FY 03	FY 04		% Change
	<u>Actual</u>	<u>Approp.</u>	<u>Allowance</u>	<u>Change</u>	<u>Prior Year</u>
General Funds	\$4,570	\$7,343	\$7,117	-\$227	-3.1%
FY 2003 Cost Containment	0	-1,022	0	1,022	100.0%
Contingent & Back of Bill Reductions	0	-1	-16	-15	
Adjusted General Funds	\$4,570	\$6,320	\$7,101	\$780	12.3%

- Accounting for cost containment actions taken in fiscal 2003 and proposed cost containment in fiscal 2004, the fiscal 2004 budget grows by approximately \$780,000 or 12.3%.
- Major increases related to salary and health insurance are offset by significant reductions related to the delay of expansion of the statewide voter system.

Personnel Data

	FY 02	FY 03	FY 04	
	<u>Actual</u>	<u>Working</u>	<u>Allowance</u>	<u>Change</u>
Regular Positions	27.50	29.50	29.50	0.00
Contractual FTEs	2.00	3.00	3.00	0.00
Total Personnel	29.50	32.50	32.50	0.00

Vacancy Data: Regular Positions

Budgeted Turnover: FY 04	1.47	4.99%
Positions Vacant as of 12/31/02	1.00	3.4%

- The fiscal 2004 allowance includes no new regular or contractual positions.

Note: Numbers may not sum to total due to rounding.

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Analysis in Brief

Major Trends

Assisting Local Boards with Technology: Apart from duplicate registration reports, appropriate technology has not yet been developed by other State agencies to allow for direct transmission of data from the agencies to SBE.

Providing Training on Election Processes and Campaign Finance Laws: Between fiscal 2001 and 2002, SBE trained over twice as many officials involved in the election process. At the same time, SBE doubled the number of seminars it provided and persons trained on campaign finance law. However, the number of problems or adjustments made to campaign financial reports increased by over 40%.

Issues

Statewide Voting System: After a not-so-perfect primary election, improvements made to the new voting machine system were a success during the general election. Due to budgetary constraints, however, the roll-out of the system to the rest of the State will be delayed at least one year. The Help America Vote Act of 2002 (HAVA) will provide a new federal fund source to assist with implementing the system in the future. **SBE should provide an update of Accenture Consultants' work reviewing HAVA, including how much federal funding the State can expect from the new law and how the State will be able to provide the 5% match payment and maintenance of effort requirements. In addition, SBE should discuss how the delay in the new voter system effects Maryland's compliance with the new federal law.**

Recommended Actions

1. Concur with Governor's allowance.

D38I01
State Board of Elections

Operating Budget Analysis

Program Description

The State Board of Elections (SBE) is a five-member board charged with managing and supervising elections in the State of Maryland and ensuring compliance with State and federal election laws. Individuals from both major parties are appointed by the Governor, with the advice of the Senate, to staggered four-year terms. The board appoints a State administrator, who is charged with oversight of the board's functions and supervising operations of the local election boards.

Key goals of SBE include:

- provide technology to the local boards that enable the boards to efficiently and accurately maintain voter registration rolls;
- monitor compliance with federal and State election law mandates;
- provide timely public access to election results and other election-related data;
- promote the use of uniform statewide election processes and procedures by local election boards;
- promote compliance with Maryland campaign finance laws; and
- acquire and certify a uniform voting system.

Each jurisdiction has a local election board that:

- maintains local voter registration databases;
- establishes election precincts and staffs polling places;
- provides and processes absentee ballots;
- certifies local election results; and
- hears and decides appeals concerning voter registration, challenges to the right to vote, and absentee ballots.

Performance Analysis: Managing for Results

Exhibit 1 demonstrates SBE’s performance for its primary goal of providing technology to the local boards so that they can efficiently and accurately maintain voter registration rolls. In all but one performance measure related to this goal, SBE duplicate registration reports, the appropriate technology has not yet been developed to allow for direct transmission of data from other State agencies to SBE. Looking specifically at data transfer between the Motor Vehicles Administration (MVA) and SBE, no information on address or name changes was exchanged electronically through fiscal 2002, and is not anticipated for fiscal 2003 and 2004, during the next presidential election cycle. While it appears that there was progress on the transfer of information regarding deceased persons between fiscal 2001 and 2002, according to SBE, this data is not transferred through a vendor-developed system; rather, SBE transmits its own electronic report directly to the local boards.

According to SBE, it cannot move forward with data exchange until the other State agencies develop the appropriate computer programs. Unfortunately, until these programs are developed, the current performance measures do not demonstrate SBE’s own improvement, or lack of improvement, in helping local boards with technology. SBE should consider revising its Managing for Results goals to more accurately reflect its own actions taken to help the local boards with technology, such as the training it now provides for electronic filing of campaign financial reports. Moreover, it appears that SBE needs to be more aggressive in working with the other State agencies to complete the required computer programs.

Exhibit 1

Assisting Local Boards with Technology to Achieve Accurate Voter Registration

<u>Percent of local boards receiving successful electronic transfers from SBE</u>	<u>2001 Actual</u>	<u>2002 Actual</u>	<u>2003 Est.</u>	<u>2004 Est.</u>
SBE duplicate registration reports	n/a	100%	100%	100%
MVA data on changes of addresses and names*	0%	0%	0%	0%
Department of Health and Mental Hygiene data on deceased persons**	16.7%	79%	79%	79%
Administrative Office of the Courts and the Department of Public Safety and Correctional Services data on convicted persons***	n/a	79%	79%	79%

- * The appropriate technology has not yet been developed by the vendor nor has MVA completed development of its licensing program.
- ** The appropriate technology has not yet been developed by the vendor. SBE is currently forwarding its own electronic report to the local boards.
- *** The appropriate technology has not yet been developed by the vendor. Only 19 of the 24 jurisdictions are using the Statewide Voter Registration System, and therefore 100% cannot be achieved.

Source: State Board of Elections

D38I01 - State Board of Elections

Exhibit 2 shows SBE’s performance with respect to its goals of promoting statewide election processes and compliance with Maryland campaign finance laws. In particular, Exhibit 2 demonstrates the amount of training provided to those involved in elections. Between fiscal 2001 and 2002, SBE more than doubled the number of election officials trained. At the same time, SBE doubled the number of seminars it provided and persons trained on campaign finance law. However, the number of problems or adjustments made to campaign financial reports increased by over 40%. This large increase is expected during an election year, given the high turnover in campaign staff. Also, these training courses are not required. SBE should look into ways to require these classes, encourage greater attendance, or simplify the process.

Exhibit 2

Providing Training on Election Processes and Campaign Finance Laws

	<u>2001</u> <u>Actual</u>	<u>2002</u> <u>Actual</u>	<u>2003</u> <u>Est.</u>	<u>2004</u> <u>Est.</u>
Election officials trained	152	343	200	500
Seminars provided on campaign finance law requirements*	6	16	6	6
Persons trained*	146	334	150	150
Corrections, deficiencies and adjustments necessary for campaign finance reports	325	458	500	325

* Training for candidates, campaign chairpersons, and treasurers.

Source: State Board of Elections

Fiscal 2003 Actions

Impact of Cost Containment

The first round of cost containment initiated by then Governor Parris N. Glendening reduced the fiscal 2003 working appropriation by \$1.0 million. SBE originally budgeted two lease payments in the current fiscal year, \$2.16 million, for the State share. However, because the agency was able to push back the lease payment schedule, there will be only one payment in fiscal 2003. The local share, 50% of total payments, was not budgeted in the fiscal 2003 appropriation. This cost containment action will revert half of the general fund amount; a fiscal 2003 budget amendment will bring the funding back into the budget as special funds to reflect the local share.

The second round of cost containment initiated by Governor Robert L. Ehrlich, Jr., decreases the transit subsidy for SBE employees by \$1,000.

Governor's Proposed Budget

Accounting for cost containment actions taken in fiscal 2003 and proposed cost containment for 2004, the fiscal 2004 budget grows by approximately \$780,000, or 12.3%. As **Exhibit 3** shows, the largest increase is for salaries and health insurance. During fiscal 2003, the Board of Public Works approved a position to manage the contract for implementation of the new voting system in the four pilot counties. The board absorbed the cost of this position in fiscal 2003.

Exhibit 3

**Governor's Proposed Budget
State Board of Elections
(\$ in Thousands)**

	FY 02	FY 03	FY 04		% Change
	Actual	Approp.	Allowance	Change	Prior Year
General Funds	\$4,570	\$7,343	\$7,117	-\$227	-3.1%
FY 2003 Cost Containment	0	-1,022	0	1,022	100.0%
Contingent & Back of Bill Reductions	0	-1	-16	-15	1,500.0%
Adjusted General Funds	\$4,570	\$6,320	\$7,101	\$780	12.3%

Where It Goes:

Personnel Expenses

BPW approved position to manage voting machine contract (\$83,057) and health insurance (\$56,008).....	\$139
Fiscal 2004 cost containment eliminating deferred compensation match offset by non-allocated cost containment taken in fiscal 2003	42

Acquire and Certify a Uniform Voting System

Capital lease payments for statewide voter system in four pilot counties	1,415
Contract with Accenture Consultants for implementation of statewide voter system	-90
Reduced aid for local jurisdictions due to delay of implementation of the statewide voter system in the 17 remaining jurisdictions	-512

Provide technology to local boards for efficient and accurate voter registration

Data processing software maintenance contract for statewide voter registration system	-70
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Board Overhead and Administration

Increased telecommunication and postage offset by decreased telephone expenses...	32
Reduction in staff computer equipment and associated lease payments	-169

D38I01 - State Board of Elections

Where It Goes:

Increased fees paid to Annapolis Data Center	-20
Other	13
Total	\$780

Note: Numbers may not sum to total due to rounding.

Acquire and Certify a Uniform Voting System

During fiscal 2002 and 2003, the State began implementation of a statewide voter system. Four jurisdictions were chosen as pilot sites, which had new voting machines in time for the 2002 primary election. SBE acquired a three-year lease payment, beginning in fiscal 2003. The \$1.4 million increase in lease payments between fiscal 2003 and 2004 reflects the fact that there will only be one payment in fiscal 2003 and two payments in fiscal 2004. This increase is offset by a \$512,000 reduction in local grants due to the delay in the implementation of the new voting systems in the rest of the State. There is also a \$90,000 reduction in the Accenture Consulting contract for implementation of the new system. Issue 1 discusses the new voting system in more detail. SBE has indicated that expenditures will exceed original estimates for the new voting machines; therefore, additional funding will be needed in fiscal 2004 to cover the difference.

A reduction of \$58,000 was also made to SBE’s software maintenance contract for the statewide voter registration system.

Impact of Cost Containment

The Budget Reconciliation and Financing Act of 2003 makes a proposed \$16,000 reduction in general funds related to the deferred compensation match program.

Issues

1. Statewide Voting System

Section 564, Acts of 2001 requires that SBE, in consultation with local election boards, implement a statewide voting system for polling places as well as an absentee voting system. The new statewide system was implemented in four counties (Allegany, Dorchester, Montgomery, and Prince George's) in time for the 2002 primary elections. Given the fiscal condition of the State, roll-out of the system to the remaining counties has been delayed for at least one year.

Primary Glitches Followed by Improved General Election

Four counties were selected as pilot sites for the new system based on the fact that their current elections systems were antiquated. These were the only counties still using the punch-card (Montgomery County) or lever-type voting systems. All other counties use the optical scan or direct recording electronic (DRE) voting system. SBE determined that the new system would use the DRE voting system, with audio interface for nonvisual access, at the polls. Also, the board determined that an optical scan system would be used for absentee balloting.

The September 2002 primary was the first election for the pilot sites. Voters used a touch screen computer to select, review, and record their votes. There were several glitches associated with the new voting machines that affected voting and tabulation of votes. These problems were primarily in the two large metropolitan jurisdictions: Montgomery and Prince George's counties. Sources of the problems are described below:

- **Technology:** Each voting machine has a memory card that records the day's votes. These cards are then submitted to the election judges for counting. Unlike the other counties, Montgomery County had election officials drive the cards to the county board of elections rather than download the aggregated results through a modem to the local board of elections. This created a bottleneck due to the sheer volume of officials and their equipment. Consequently, the results of the election were delayed far past the closing of the polls.
- **Training:** The four sites began training poll workers early in preparation for the September primary and the new machines. Poll workers received approximately eight hours of training, sometimes in one full day. However, the training was inadequate or not focused enough on the operation of the voting machines. In Montgomery County, many volunteers had worked for years on the old punch card system and were less familiar with computers. As a result, many poll workers had trouble setting up the machines and guiding voters through the new system. Consequently, many poll volunteers were less interested in participating in the primary or general elections.
- **Timing:** Several polling places were delayed in setting up the computers in the morning, making voters have to wait or come back later to vote. Approximately 20% of Montgomery County's precincts did not open on time.

D38I01 - State Board of Elections

Most of the problems experienced during the primary election in September were minimized by the time of the general election on November 5. In particular, Montgomery County did not have the bottleneck problem it had during the primary at the county board of elections. The county had modems installed at all polls that needed hook-up, primarily the public schools, and were thus able to electronically transfer the voting results to the county board's system. In addition, Montgomery County assigned technicians to each precinct on Election Day to assist poll workers with the computers, should there be any problems.

Two organizations at the University of Maryland together conducted an exit poll in Montgomery and Prince George's counties to evaluate the performance of the new voting machines. The poll was based on a sample of 1,276 respondents from 22 precincts in the 2 counties; there was a 74.6% response rate. Several major findings are listed below.

- Only 7% of the respondents felt that the touch screen voting machine was not easy to use.
- 91% trusted the new system, compared to 70% who trusted the old, mechanical lever or punch-card system.
- 3% of voters reported having technical problems. Some of these problems involved difficulty starting the machine with the voting card; navigating between screens; selecting the wrong language; and failing to provide adequate privacy.
- Those who used computers infrequently or did not have a college education had more trouble using the machines. Not surprisingly, voters 65 years or older, who are less likely to have lengthy experience with computers, were most likely to ask or receive help with the machines. But, voters aged 18 to 24, who supposedly have more experience with computers, were the second largest group to ask or receive help. The researchers attribute this to this age group being first-time voters.

Plan to Move Forward Statewide in Time for 2004 Elections Delayed

SBE originally anticipated achieving the statewide voting system in time for the primary elections in March 2004. On November 20, 2002, the Board of Public Works (BPW) approved a State master lease agreement for up to \$96 million, of which up to \$30 million could be used to expand the new voting system statewide. Two major contingencies were added to the agreement: the purchase could only be used for voting equipment; and lease financing for the equipment could only be employed in the event that BPW determines federal funds will not be available for timely implementation of the program. Original estimates put the cost of full roll-out of the remaining voting machines at \$31.9 million (\$29 million for the voting machines and \$2.9 million for public education and technical support). Expenditures would be evenly divided between the State and the counties. However, given the fiscal condition of the State and uncertainty of federal fund assistance, no funds were included in the fiscal 2004 allowance for expansion of the project.

Help America Vote Act of 2002 to Provide Federal Financial Assistance

On October 29, 2002, President George W. Bush signed into law the Help America Vote Act of 2002 (HAVA). Stemming from the infamous general election of 2000, this law seeks to assist states in developing reliable and easy to use election voting systems. Among other things, it authorizes funding to the states to assist in complying with its provisions.

- ***Improve Administration of Elections:*** Section 101 of the new law provides payments to states to improve the administration of elections for federal office; educate voters regarding voting processes, rights, and technology; train election officials, poll workers, and election volunteers; develop a State plan for how the payments will be used; improve the accessibility and quantity of polling places; improve, acquire, lease, modify, or replace voting systems and technology; and establish a toll-free hotline for voter assistance, reporting of voter fraud, and accessing registration information. All states will receive 0.5% of the total payment appropriated plus an amount based on each state's proportion of the voting age population. \$325 million is authorized for this program.
- ***Replacement of Punch Card or Lever Voting Machines:*** Section 102 of the new law provides payments to states for replacement of punch card or lever voting machines used in precincts during the November 2000 election. States will receive \$4,000 for each qualifying precinct, with certain restrictions. \$325 million is authorized for this program.

Each state is guaranteed a minimum payment amount of \$5 million between the two programs listed above. Additionally, these funds can lapse forward to future fiscal years if not spent in the payment year. These funds may be used as a reimbursement for costs incurred for certain voting equipment installed after the 2000 general election, or similar expenditures for a multi-year contract incurred after January 1, 2001. Each state must match 5% of its total federal payment; if any of the federal dollars are used as a reimbursement for capital expenditures, an equal amount of state dollars must be spent. In order to receive any federal funds, however, the State must establish statutorily a special fund to hold the federal funds, as well as the required 5% State match to the federal funds. Additionally, the State has a maintenance of effort requirement based on State and local spending in fiscal 2000.

SBE has hired Accenture Consultants to evaluate the provisions of the new law; develop a request for an "early payment" of voting machines certification under the law; develop an outline for the required State plan; and work with SBE to implement the plan. **SBE should provide an update of Accenture's findings, including how much federal funding the State can expect from the new law and how the State will be able to provide the 5% match payment and maintenance of effort requirements. In addition, SBE should discuss how the delay in the new voter system affects Maryland's compliance with the new federal law.**

Recommended Actions

1. Concur with Governor's allowance.

Current and Prior Year Budgets

Current and Prior Year Budgets State Board of Elections (\$ in Thousands)

	<u>General Fund</u>	<u>Special Fund</u>	<u>Federal Fund</u>	<u>Reimb. Fund</u>	<u>Total</u>
Fiscal 2002					
Legislative Appropriation	\$6,624	\$0	\$0	\$0	\$6,624
Deficiency Appropriation	0	0	0	0	0
Budget Amendments	0	0	0	0	0
Reversions and Cancellations	-2,054	0	0	0	-2,054
Actual Expenditures	\$4,570	\$0	\$0	\$0	\$4,570
Fiscal 2003					
Legislative Appropriation	\$7,343	\$0	\$0	\$0	\$7,343
Budget Amendments	-1,022	0	0	0	-1,022
Contingent Reductions	-1	0	0	0	-1
Working Appropriation	\$6,320	\$0	\$0	\$0	\$6,320

Note: Numbers may not sum to total due to rounding.

Fiscal 2002

The fiscal 2002 budget decreased almost \$2.0 million as a result of the Budget Reconciliation and Financing Act of 2002. A provision of the law required funding for the statewide voting machines be reverted due to the fact that the capital lease project for the new system was over budget. Also, \$75,000 was reverted for cost containment.

D38I01 - State Board of Elections

Appendix 2

**Object/Fund Difference Report
State Board of Elections**

<u>Object/Fund</u>	<u>FY 02 Actual</u>	<u>FY 03 Working Appropriation</u>	<u>FY 04 Allowance</u>	<u>FY 03 - FY 04 Amount Change</u>	<u>Percent Change</u>
Positions					
01 Regular	27.50	29.50	29.50	0	0%
02 Contractual	2.00	3.00	3.00	0	0%
Total Positions	29.50	32.50	32.50	0	0%
Objects					
01 Salaries and Wages	\$1,494,369	\$1,434,889	\$1,682,888	\$247,999	17.3%
02 Technical & Spec Fees	72,609	110,223	95,372	-14,851	-13.5%
03 Communication	331,079	258,057	288,980	30,923	12.0%
04 Travel	29,599	36,400	29,599	-6,801	-18.7%
07 Motor Vehicles	2,905	2,104	2,868	764	36.3%
08 Contractual Services	1,406,235	1,440,096	1,271,988	-168,108	-11.7%
09 Supplies & Materials	66,269	43,652	43,652	0	0%
10 Equip - Replacement	368,946	498,119	329,241	-168,878	-33.9%
11 Equip - Additional	44,939	1,021,772	2,436,941	1,415,169	138.5%
12 Grants, Subsidies, Contributions	490,240	2,164,228	629,713	-1,534,515	-70.9%
13 Fixed Charges	263,224	333,932	305,444	-28,488	-8.5%
Total Objects	\$4,570,414	\$7,343,472	\$7,116,686	-\$226,786	-3.1%
Funds					
01 General Fund	\$4,570,414	\$7,343,472	\$7,116,686	-\$226,786	-3.1%
Total Funds	\$4,570,414	\$7,343,472	\$7,116,686	-\$226,786	-3.1%

Notes:
 1. Full-time and contractual positions and salaries are reflected for operating budget programs only.
 2. Fiscal 2003 appropriations and fiscal 2004 allowance do not include cost containment and contingent reductions.