

D38I01
State Board of Elections

Operating Budget Data

(\$ in Thousands)

	<u>FY 02</u>	<u>FY 03</u>	<u>FY 04</u>	<u>FY 02-04</u> <u>Change</u>	<u>FY 05</u>	<u>FY 04-05</u> <u>Change</u>
Operations	\$2,674	\$4,930	\$7,726	\$5,052	\$12,801	\$5,075
Contractual Services	1,406	2,064	1,148	-258	1,290	142
Grants	490	-136	1,259	769	2,423	1,164
Contingent & Back of Bill Reductions	0	0	0	0	-15	-15
Adjusted Grand Total	\$4,570	\$6,857	\$10,134	\$5,563	\$16,499	\$6,365
General Funds	4,570	5,397	6,912	2,341	5,959	-953
Contingent & Back of Bill Reductions	0	0	0	0	-15	-15
Adjusted General Funds	\$4,570	\$5,397	\$6,912	\$2,341	\$5,944	-\$967
Special Funds	0	1,447	3,147	3,147	2,285	-862
Federal Funds	0	13	75	75	8,270	8,195
Adjusted Grand Total	\$4,570	\$6,857	\$10,134	\$5,563	\$16,499	\$6,365
Annual % Change		50.0%	47.8%		62.8%	

- While the State Board of Elections (SBE) like most other agencies has been subject to cost containment reductions, those reductions have been dwarfed by increased expenditures associated with the implementation of the federal Help America Vote Act (HAVA).
- The extraordinary growth rates in the budget since fiscal 2002 continue in fiscal 2005. The allowance is almost \$6.4 million (62.8%) above the fiscal 2004 working appropriation.
- The fiscal 2005 allowance shows the first meaningful expenditure of the almost \$50.5 million that the State currently estimates that it will receive under the federal HAVA legislation.

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

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Personnel Data

	<u>FY 02</u>	<u>FY 03</u>	<u>FY 04</u>	<u>FY 02-04</u> <u>Change</u>	<u>FY 05</u>	<u>FY 04-05</u> <u>Change</u>
Regular Positions	27.5	29.5	29.5	2.0	29.5	0.0
Contractual FTEs	2.0	4.0	4.0	2.0	9.0	5.0
Total Personnel	29.5	33.5	33.5	4.0	38.5	5.0

Vacancy Data: Regular Positions

Turnover Expectancy	1.18	4.00%
Positions Vacant as of 12/31/03	0.00	0.00%

- Personnel resources available to SBE have grown by four full-time equivalent (FTE) positions between fiscal 2002 and 2004. That growth is attributed to additional information technology support necessary to support a changing and modern election system.
- The fiscal 2005 allowance adds five FTE contractual positions, all of which will be involved in HAVA-related activities.

Analysis in Brief

Major Trends

HAVA Compliance: SBE continues to move forward to meet HAVA compliance deadlines. The board submitted documentation for a waiver of the deadline related to various statewide voter registration requirements. The new deadline is January 2006.

Issues

HAVA Dollars Have Not Come Yet...But They Will: The State is anticipating the receipt in May 2004 of over \$42 million in federal funding authorized under HAVA. The availability of that funding allows the State to make choices about when it has to spend general funds.

When the HAVA Dollars Arrive, Relief May Be Short-lived: While the federal HAVA dollars will offset some of the costs of implementing HAVA, implementation costs are rising. A recent report by the Department of Legislative Services pointed to the need to further increase the security of the voting system and implementing those recommendations will add additional costs. In the long-term, significant State general fund support will be required to operate and maintain a modern election system that complies with HAVA requirements.

Recommended Actions

	<u>Funds</u>
1. Reduce general funds for federal Help America Vote Act activities.	\$ 670,000
2. Adopt narrative requesting the State Board of Elections to report back to the committees on a report updating the cost of implementing the State Plan.	
Total Reductions	\$ 670,000

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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, including the recent federal Help America Vote Act (HAVA). 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.

Local election boards maintain local voter registration databases, establish election precincts and staff polling places, provide and process absentee ballots, certify local election results, and hear and decide appeals concerning voter registration, challenges to the right to vote, and absentee ballots.

The mission of the SBE is to administer the process of holding democratic elections in a manner that inspires public confidence and trust.

Performance Analysis: Managing for Results

The SBE's Managing for Results (MFR) submission includes performance measures that distinguish between HAVA and non-HAVA-related activities. For non-HAVA-related activities, the MFR includes five different performance measures. In only one measure – the number of local election boards receiving an on-site audit for compliance with federal and State election laws – is the board not already meeting its goals.

For HAVA-related activities, SBE's performance can be guided by the State Plan that SBE is required to submit to the federal government that details how the State intends to implement and become compliant with HAVA. **Exhibit 1** details various HAVA requirements, deadlines, and the status of compliance with those deadlines.

HAVA also requires the State to adopt performance measures and goals to be used to determine the success of local governments in carrying out the requirements of the State Plan, including identification of officials to be held responsible for ensuring that each performance goal is met. SBE indicates that it has created those performance goals for local jurisdictions in the area of provisional ballots, absentee voting, and identification requirements, and those goals are stated in procedures and guidelines that are sent by SBE to all local election directors.

Exhibit 1
State Board of Elections Key HAVA Requirements
and Implementation Deadlines

<u>Deadline</u>	<u>HAVA Requirement</u>	<u>Status</u>
January 2004	Provisional voting	Complete
	Voting information requirements	Complete
	Statewide Voter Registration List	Extension requested (1/2006)
	Computerized list maintenance	Extension requested (1/2006)
	Verification of voter registration information	Extension requested (1/2006)
	Mail voter registration	Complete
	Military/overseas voting	Complete
November 2004	Replacement of punchcard/lever machines	Complete
January 2006	Voting system standards	In progress
	Alternative language accessibility	Complete
	Vote standardization	Complete
January 2007	Voting system accessibility	In progress
Ongoing	Voter education and outreach	
	Training for election officials and judges	
	Voter accessibility improvement	

Source: Department of Legislative Services; State Board of Elections

Fiscal 2004 Actions

Impact of Cost Containment

The general fund cost containment actions taken to SBE by the Board of Public Works (BPW) in July 2003 totaled \$123,000, or 1.8% of SBE's general fund legislative appropriation. The reduction was administrative in nature. According to SBE, expenditures on two separate information technology contracts were lower than anticipated in fiscal 2003. Consequently, SBE was able to encumber these funds in fiscal 2003 to offset fiscal 2004 expenditures. SBE did not suffer any regular or contractual position cuts as a result of BPW actions in either July 2003 or in the implementation of the statewide position cap in November 2003.

Governor's Proposed Budget

As shown in **Exhibit 2**, the Governor's fiscal 2005 allowance for SBE is almost \$6.4 million (62.8%) above the fiscal 2004 working appropriation. As is clear from the exhibit, federal funds available as a result of HAVA are driving this growth.

Exhibit 2
Governor's Proposed Budget
State Board of Elections
(\$ in Thousands)

	<u>FY 03</u> <u>Actual</u>	<u>FY 04</u> <u>Approp.</u>	<u>FY 05</u> <u>Allowance</u>	<u>FY 04-05</u> <u>Change</u>	<u>FY 04-05</u> <u>% Change</u>
General Funds	\$5,397	\$6,912	\$5,959	-\$953	-13.8%
Contingent & Back of Bill Reductions	0	0	-15	-15	
Adjusted General Funds	\$5,397	\$6,912	\$5,944	-\$967	-14.0%
Special Funds	\$1,447	\$3,147	\$2,285	-\$862	-27.4%
Federal Funds	\$13	\$75	\$8,270	\$8,195	10859.4%
Adjusted Grand Total	\$6,857	\$10,134	\$16,499	\$6,365	62.8%

Where It Goes:

General Administration	\$299
Software maintenance contracts (ballot preparation and electronic filing and the Statewide Voter Registration System).....	\$173
Telecommunications (alignment to most recent actuals)	103
Personnel expenditures	65
Other	-42
HAVA	\$6,066
Capital lease payments (touch screen voting machines)	4,701
Operational cost of new voting system.....	1,124
Contractual assistance (including five new FTE positions).....	241
Total	\$6,365

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

Issues

1. HAVA Dollars Have Not Come Yet....But They Will

As part of HAVA, significant federal funds have been made available to states. As shown in **Exhibit 3**, Maryland is currently expecting to receive just under \$50.5 million in federal fiscal 2003 through 2005. Of this amount, almost \$7.3 million are Title 1 funds for improvements in election administration (just over \$5.6 million) and replacement of punch-card or lever voting machines (just over \$1.6 million). These funds, allocated respectively according to the State's voting age population as a percent of the national voting age population and the number of precincts that had obsolete voting machines, have already been received by the State. Title 1 funds did not have any matching or maintenance of effort (MOE) requirements attached to them.

Exhibit 3
Anticipated HAVA Funds
Federal Fiscal 2003 – 2005

<u>Federal Fiscal Year</u>	<u>Title 1</u>	<u>Title 2</u>	<u>Total</u>
2003	\$7,274,340	\$15,160,600	\$22,434,940
2004		27,300,000	27,300,000
2005		728,000	728,000
Total	\$7,274,340	\$43,188,600	\$50,462,940

Source: State Board of Elections

Title 2 funds, so called requirements payments, are the major source of federal funding and are available to implement the key requirements of HAVA (including requirements for voting systems, provisional voting and voting information, and voter registration) plus other approved election activities. At this time Maryland anticipates receiving almost \$43.2 million in Title 2 funds. As shown in Exhibit 3, these funds are anticipated over three federal fiscal years but none have yet been received by the State:

- Federal fiscal 2003 funds have been appropriated but are not yet available for distribution. These funds must be distributed by the Election Assistance Commission (EAC) created by HAVA. The members of that commission were not approved until November 2003. However, HAVA requires distribution of the funding within six months of the commission's appointment, and those funds are expected to be received by May 2004.

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- Federal fiscal 2004 funds were appropriated in the Omnibus Appropriation Bill that passed the U.S. Congress on January 22, 2004. They should also be available in May 2004.
- Federal fiscal 2005 funds are as provided for in the President's federal fiscal 2005 budget submission. It should be noted that this is considerably less than the \$10.8 million that the State could have expected under the amount authorized by HAVA. It remains to be seen if that funding level will change as the federal budget process plays out.

All of the federal HAVA funds are to be placed in a special fund held by the State Treasurer's office. Maryland created this fund, the Maryland Election Modernization Fund, through Chapter 197, Acts of 2003. Federal funds may be held in this fund and drawn down for qualified expenditures. Under State law (Chapter 564, Acts of 2001), federal funds are allocated to the local jurisdictions and to the State. Specifically, federal funding related to voting machines and equipment is split between the State and local governments. The federal funds, at least in the short-term, can be used to offset the extent of State and local expenditures required for the new voting system.

Title 2 funds come with a number of strings including the filing of a State Plan with the EAC. Maryland filed its plan in May 2003. The two key budget requirements are:

- A State match of 5% of the total amount of federal funds received for eligible Title 2 activities (taking into account the amount of the requirements payment and the match amount spent by the State). This match must be made in the year in which the federal funds are received.
- A MOE requirement based on State expenditures for election activities for which requirement payments may be used in fiscal 2000. In Maryland, the SBE has determined that this amounted to \$1,994,914. This amount was based on general fund expenditures for the Statewide Voter Registration System (an eligible activity for requirements payments) plus an indirect cost amount calculated as a percentage (39.4%) of other SBE expenditures. That percentage was determined based on the portion of the total SBE budget expended on the voter registration system in that fiscal year. The indirect cost percentage will vary according to the amount of general fund expenditures on eligible activities. The MOE requirement is in effect for as long as the State receives requirements payments.

Meeting MOE and State Match Requirements

The current fiscal 2004 working appropriation appears to meet both the MOE and matching requirements necessary to access federal HAVA funds.

- In fiscal 2004 the State match requirement has yet to be determined since no Title 2 funding has been received. As noted above, the State should receive almost \$42.5 million in May 2004. The working appropriation provides for almost \$3.1 million in general funds for eligible Title 2 activities plus \$1.7 million in indirect costs for a total of \$4.8 million, more than satisfying the matching requirement of \$2,123,030 required to receive the \$42.5 million.

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- Similarly, the \$4.8 million in eligible State expenditures that can be counted against MOE exceeds that requirement.

The fiscal 2005 allowance also appears to more than meet both requirements:

- In fiscal 2005 the State can currently only anticipate the receipt of \$728,000 in federal funds. The allowance provides for almost \$1.8 million in general funds for eligible Title 2 activities plus \$1.3 million in indirect costs for a total of almost \$3.1 million, more than satisfying the match requirement, \$36,400. Even if the State receives the larger amount originally anticipated in fiscal 2005 (\$10.5 million) the match is still met.
- Similarly, the \$3.1 million in eligible State expenditures that can be counted against MOE exceeds that requirement.

However, the imminent receipt of the federal HAVA funds means that the State could choose to use less general funds in fiscal 2004 and 2005 and instead spend down available federal funds while still allowing SBE to undertake the work it needs to do to implement the new voting system. As shown in **Exhibit 4**, if the State chooses to minimize general fund utilization in the near-term, reductions can be made to both the fiscal 2004 appropriation and the fiscal 2005 allowance. **Given the ongoing direction in State budget law that expenditures or encumbrances that may be charged to either State or federal funds should first be charged to federal funds, the Department of Legislative Services (DLS) recommends that \$1,847,000 be reduced from SBE's fiscal 2004 appropriation through the Budget Reconciliation Act and that \$670,000 be reduced from the allowance.** SBE is directed to utilize federal funds to back-fill for those reductions.

2. When the HAVA Dollars Arrive, Relief May Be Short-lived

Following the problems with the election system in Florida during the last Presidential election, the State (in Chapter 564, Acts of 2001) and the federal government (through HAVA) proposed significant reforms to the conduct of elections. While HAVA does not require the uniform statewide voting system that the State has opted to implement, the new voting system complies with HAVA requirements. Further, elements such as a new Statewide Voter Registration System will be added to what will be a much more modern, and expensive, election system.

Under State law, the State and local jurisdictions will share much of the cost of operating and maintaining that election system. For example, under Chapter 564, the cost of the acquisition and operating cost of the new voting system is shared. Irregardless of the adoption of budget cuts to SBE's fiscal 2004 appropriation and fiscal 2005 allowance, at some point the State and local jurisdictions will be responsible for operating and maintaining an expensive voting system. Absent

Exhibit 4
Alternative Uses of General Funds Based on Available Federal Funds
State Fiscal 2004 – 2005
(\$ in Thousands)

	<u>Funds Needed to Meet Match/MOE Requirement</u>	<u>Total GF Counted to Match/MOE</u>	<u>DLS Alternative Total GF Counted to Match/MOE</u>	<u>DLS Recommended Reduction to HAVA-related GF</u>
State Fiscal 2004	\$2,123	\$4,773	\$2,146	\$1,847
State Fiscal 2005	1,995	3,056	2,018	670

GF = general funds
MOE = maintenance of effort
FF = federal funds

Note: The alternative total GF is calculated to take into consideration the impact of reducing HAVA-related GF on the amount of other GF that can be counted toward MOE requirements. This calculation explains why the recommended reduction is not simply the difference between the match/MOE requirement and the GF counted toward that match/MOE requirement.

Source: Department of Legislative Services; Department of Budget and Management

continuing federal largesse (and the inclusion in the President's federal fiscal 2005 budget of less than 10% of the original HAVA authorization is a fairly clear signal that such largesse will be hard to come by), the extent of future State general fund support will be significantly higher than the current levels.

Although as shown earlier in Exhibit 1, the State faces numerous HAVA deadlines in the next three years, spending both to meet those deadlines and then to maintain compliance with HAVA will be ongoing. For example, because SBE has financed the purchase of new touch screen voting machines from Diebold through lease agreements financed through the State Treasurer's office, SBE will be making lease payments through fiscal 2014. Similarly, the same contract that SBE has with Diebold to provide voting machines includes maintenance and services through calendar 2008.

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Exhibit 5 provides detail on known costs anticipated for implementation of the State Plan, other HAVA-related expenditures that have been charged to HAVA funds, as well as an estimate for implementation projects for which costs have yet to be fully developed. Data includes the current fiscal year, the allowance, and known lease payment and contract (Diebold) costs.

Exhibit 5
State Board of Elections
Expenditures Associated with the Implementation of the State Plan
Fiscal 2004, Fiscal 2005, and Out-year Requirements

<u>Item</u>	<u>FY 2004</u>	<u>FY 2005</u>	<u>Out-years FY 06 - 14</u>	<u>Total</u>
Hardware				
Lease Payments (Phase 1 and 2)*	\$5,034,100	\$9,654,583	\$38,407,457	\$53,096,140
Maintenance/Services				
Phase 1 and 2	5,559,554	3,515,168	18,991,290	28,066,012
Independent Verification and Validation (IV&V)	380,000			380,000
Contractual Staff**	75,460	316,331	TBD	391,791
Other HAVA Expenditures				
Science Applications International Corporation (SAIC) Report	169,212			169,212
Response to SAIC Report	557,926			557,926
Project Management	500,304			500,304
Total Actual/Known Expenditures	\$12,276,556	\$13,486,082	\$57,398,747	\$83,161,385
Range of Future Expenditures (TBD)			\$15,000,000	\$98,200,000
			to	to
			\$21,000,000	\$104,200,000
Statewide Voter Registration System Official and Pollworker Education and Training Miscellaneous Administrative Reforms Phase 3 Expenditures				
Current Funding Levels				
General Fund	3,066,655	1,799,726		
Special Fund	3,146,764	2,284,875		
Federal Fund***	1,302,902	8,270,000		
Total	\$7,516,321	\$12,354,601		
<i>Difference</i>	<i>-4,760,235</i>	<i>-1,131,481</i>		

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TBD = to be determined.

* Phase 1 counties were Allegany, Dorchester, Montgomery, and Prince George's counties. Phase 2 counties are other jurisdictions except for Baltimore City which is Phase 3.

** Data for fiscal 2004 and 2005 are as per the current budget. It can be anticipated that this level of expenditures will be required for contractual support for the next several fiscal years.

*** For the purposes of this exhibit, federal funds for fiscal 2004 include federal funds for four budget amendments submitted by SBE to the General Assembly through the Department of Budget and Management but not yet approved. To date, only \$75,460 has been formally approved.

Source: Department of Legislative Services, State Board of Elections

A number of points can be made from this exhibit:

- The current working appropriation and Governor's allowance does not include sufficient funds to cover known obligations. While funding is available to cover the cost of lease payments to the Treasurer, insufficient funding exists to cover the remainder of the amount anticipated to be spent for maintenance and services. The shortfall is almost \$5.9 million for those two years. However, as noted in Exhibit 3, the imminent receipt of additional federal HAVA funds means that it can be assumed that these funds will be added to the budget by budget amendment to cover existing obligations. No additional State funds will be needed.
- The SBE has four budget amendments – 099-04, 119-04, 120-04, and 139-04 – awaiting the review of the budget committees. These amendments relate to the recent Science Applications International Corporation (SAIC) security assessment of the new voting system and the remediation associated with that assessment plus a contract with Accenture to provide project management support for the presidential primary election as well as assist SBE in its public relations strategy and the implementation of the new voting system. **DLS is recommending that the budget committees approve these amendments, and a letter to that end will be sent to the chairmen of the committees following the budget hearings.**
- Total known expenditures levels from fiscal 2004 through current lease payment agreements are almost \$83.2 million.
- A significant amount of expenditures to implement the State plan have yet to be determined but may total between \$15 and \$21 million:
 - Phase 3 hardware and maintenance/services costs (Baltimore City) are estimated at \$7.2 million (a figure that will increase if hardware costs are financed through a lease agreement as has been the case for phase 1 and 2 counties).
 - The movement of the State's voter registration list onto a single centralized database is required by HAVA. The local election boards currently operate six separate voter registration

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systems. Based on the SBE's assessment of voter registration systems nationwide, there is no Commercial Off the Shelf (COTS) solution yet available. Project estimates are \$6 to \$12 million.

- Again, while some official and pollworker training is included in the Diebold contract, other costs are anticipated.
- Similarly, SBE anticipates incurring additional administrative costs, potentially \$2 to \$3 million.
- Some additional IV&V funding will be required.
- Contractual support will also add to out-year costs.
- This exhibit assumes no additional changes to the current election system or voting machines (discussed further below).
- The estimated total cost for State Plan implementation, \$98.2 to \$104.2 million, is significantly above the cost estimates used in the State Plan submitted by the SBE in May, where plan expenditures were estimated at \$70 to \$79 million.

While the \$50.5 million in federal HAVA funds will cover perhaps half of initial funding needs, ultimately State and local funding will have to fill the gap. Further, there will be significant ongoing maintenance and services requirements beyond the current Diebold contract. It can also be anticipated that the SBE will have a more extensive and permanent administrative structure. Significant additional State funds will not be needed until perhaps fiscal 2009 (depending on the level of federal funds received in fiscal 2005), it is important to note that at that point general fund support in the range of \$10 million annually appears likely. This is a far cry from the funding patterns of the late 1990s when the SBE budget was less than \$2 million.

Additional Spending Not Anticipated in the State Plan

There are also a number of items not currently anticipated in the State Plan that may drive up expenditures (both one-time expenditures as well as ongoing expenditures):

- The most obvious potential cost relates to adding printers to voting machines in order to provide a hard copy voting record. When the new system is fully rolled out, there will be approximately 17,600 voting machines statewide. Adding printers to even a small percentage of these machines could mean expenditures for the printers themselves but also the cost of associated maintenance services and training requirements. To date Diebold has not provided an estimate to add printers (not least because there is currently no approved standard for printers). Estimated costs range from \$1,000 to \$3,000 per machine.

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- Additional costs are anticipated for systems security. The key recommendations of a Risk Assessment Report on the State's new voting system and processes undertaken by SAIC in response to criticism of the new system centered on the need to ensure the integrity of the new system and develop a documented System Security Plan that meets appropriate State and federal standards and industry best practices. The hiring of additional security staff was also recommended.

Other recommendations involved improvement of documentation and standardization of documentation provided to local boards of elections, improved documentation of a variety of processes at the State level, enhanced training at the local level, enhanced screening of election officials, and improved security standards at the SBE.

Some of these recommendations require the development and implementation of relatively straightforward policies and procedures at little cost. Other changes will require more extensive expenditures. As noted above in Exhibit 5, SBE has already anticipated spending \$558,000 responding to the SAIC report. Other expenditures are likely.

- It should also be noted that the Federal Election Commission (FEC) may impose additional requirements that involve increased expenditures. As noted in the RABA Technologies report on the State's new voting system that was done under contract for DLS, the FEC's current web site includes a comment on the current standards that they are "not entirely" up-to-date and "the FEC is drafting the next version of the standards to cover the newer technology as well as to change standards that currently unduly restrict design."
- The RABA Technologies report provides a series of recommendations to improve the security of the State's voting system. Many of these recommendations can be implemented at little or no cost, for example requiring that security patches and anti-virus software are up-to-date and installing passwords. However, some of the recommendations will require potentially significant expenditures, for example rewriting the entire software code in order to institute best security practices. The cost of other recommendations is difficult to assess. For example, RABA did not recommend adding printers to produce voter-verifiable paper receipts on every machine, but rather to a small percentage of machines so that voters could get such a receipt if they so desired. Depending on the number of machines that have the technology added, costs could be moderately high. For example, adding a printer to one machine in every precinct would mean adding 1,787 printers. In all cases, whatever changes are made will require additional training for election officials.

Indeed, one of the clearest messages to emerge from the RABA report is the need to have a more sophisticated cadre of election officials in order to implement improved security processes that must complement security measures that are being, and will continue to need to be, taken by SBE to develop and maintain the State's new voting system. Developing that cadre of officials will also be expensive.

Conclusions

Full implementation of the State Plan is estimated by DLS to cost at least \$98.2 to \$104.2 million and changes to that plan including those recommended by RABA in its report (for example, enhanced security or additional hardware requirements) will add to that expense. HAVA funds offset the need for major State general fund expenditures in the short-term, even with the addition of expenditures beyond those currently known. However, at some point significant additional general fund expenditures will be required to cover long-term lease agreements and support the ongoing operation of the voting system that SBE is implementing.

DLS recommends that the committees adopt narrative requesting SBE to present a report to include an updated expenditure estimate for the implementation of the State Plan based on the recommendations of the SAIC report and RABA Technologies. That report should also include the specific actions taken by SBE in response to the SAIC and RABA Technologies reports in the period up to the 2004 general election as well as additional actions SBE believes are necessary to ensure public confidence and trust in the new voting system.

Recommended Actions

- | | <u>Amount
Reduction</u> |
|--|------------------------------------|
| 1. Reduce general funds for federal Help America Vote Act (HAVA) activities. Federal funds available under HAVA can be substituted for these general funds. To the extent permissible under HAVA, the State Board of Elections should maximize its use of federal funds. | \$ 670,000 GF |
| 2. Adopt the following narrative: | |

Implementation of State Plan: The State is required to submit a State Plan indicating how it intends to implement the federal Help America Vote Act. Maryland submitted that plan in May 2003. However, since that time, the estimated cost of implementing the State Plan has grown from \$70 to \$79 million to \$98.2 to \$104.2 million. Furthermore, recent assessments related to the security of the new voting system separately conducted for the Executive and Legislative Branches indicate additional expenditures are required. The committees request the State Board of Elections (SBE) report back to them with an updated expenditure proposal for the implementation of the State Plan based on those recent assessments and any other federal or State changes. The report should also detail the specific actions taken by SBE in response to those assessments and any other required changes in the period up to the 2004 general election and what additional actions SBE believes are necessary to inspire public confidence and trust in the new voting system.

Information Request	Author	Due Date
Implementation of State Plan	SBE	December 1, 2004
Total General Fund Reductions		\$ 670,000

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 2003					
Legislative Appropriation	\$7,343	\$0	\$0	\$0	\$7,343
Deficiency Appropriation	0	0	0	0	0
Budget Amendments	0	1,447	13	0	1,460
Cost Containment	-1,037	0	0	0	-1,037
Reversions and Cancellations	-909	0	0	0	-909
Actual Expenditures	\$5,397	\$1,447	\$13	\$0	\$6,857
Fiscal 2004					
Legislative Appropriation	\$7,035	\$2,437	\$0	\$0	\$9,472
Cost Containment	-123	0	0	0	-123
Budget Amendments	0	710	75	0	785
Working Appropriation	\$6,912	\$3,147	\$75	\$0	\$10,134

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

Fiscal 2003

The fiscal 2003 legislative appropriation for SBE was reduced by \$486,000. This reduction was derived from general fund reductions of just under \$1.95 million consisting of cost containment actions totaling just over \$1 million plus general fund reversions of just over \$900,000. According to SBE, the reverted funds represented internal savings that they were hoping to encumber against future expenditures for HAVA-related activities.

The general fund reductions were partially offset by special fund budget amendments of almost \$1.5 million representing the local government contribution of costs associated with the statewide voting system and \$13,000 in federal fund budget amendments to fund a HAVA project manager.

Fiscal 2004

To date, the fiscal 2004 legislative appropriation has been increased by \$662,000. This increase comprises a general fund cost containment reduction of \$123,000 (see the earlier discussion of changes to the fiscal 2004 appropriation for additional detail) which was more than offset by increases through a special fund amendment of \$710,000 reflecting the local government contribution of costs associated with the statewide voting system and a federal fund amendment of \$75,000 continuing funding for the HAVA project manager.

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

<u>Object/Fund</u>	<u>FY03 Actual</u>	<u>FY04 Working Appropriation</u>	<u>FY05 Allowance</u>	<u>FY04 - FY05 Amount Change</u>	<u>Percent Change</u>
Positions					
01 Regular	29.50	29.50	29.50	0	0%
02 Contractual	4.00	4.00	9.00	5.00	125.0%
Total Positions	33.50	33.50	38.50	5.00	14.9%
Objects					
01 Salaries and Wages	\$ 1,666,850	\$ 1,652,421	\$ 1,732,239	\$ 79,818	4.8%
02 Technical & Spec Fees	104,601	170,832	416,884	246,052	144.0%
03 Communication	381,386	237,860	340,758	102,898	43.3%
04 Travel	17,822	29,599	18,000	-11,599	-39.2%
07 Motor Vehicles	3,264	2,868	2,291	-577	-20.1%
08 Contractual Services	2,063,657	1,148,458	1,290,193	141,735	12.3%
09 Supplies & Materials	22,477	43,651	23,478	-20,173	-46.2%
10 Equip - Replacement	297,802	329,241	334,084	4,843	1.5%
11 Equip - Additional	2,138,293	4,953,993	9,654,582	4,700,589	94.9%
12 Grants, Subsidies, and Contracts	-136,200	1,259,426	2,423,043	1,163,617	92.4%
13 Fixed Charges	297,176	305,444	278,308	-27,136	-8.9%
Total Objects	\$ 6,857,128	\$ 10,133,793	\$ 16,513,860	\$ 6,380,067	63.0%
Funds					
01 General Fund	\$ 5,396,811	\$ 6,911,569	\$ 5,958,985	-\$ 952,584	-13.8%
03 Special Fund	1,447,297	3,146,764	2,284,875	-861,889	-27.4%
05 Federal Fund	13,020	75,460	8,270,000	8,194,540	10859.4%
Total Funds	\$ 6,857,128	\$ 10,133,793	\$ 16,513,860	\$ 6,380,067	63.0%

Note: The fiscal 2004 appropriation does not include deficiencies, and the fiscal 2005 allowance does not reflect contingent reductions.

**Fiscal Summary
State Board of Elections**

<u>Unit/Program</u>	<u>FY03 Actual</u>	<u>FY04 Legislative Appropriation</u>	<u>FY04 Working Appropriation</u>	<u>FY03 - FY04 % Change</u>	<u>FY05 Allowance</u>	<u>FY04 - FY05 % Change</u>
01 General Administration	\$ 5,396,811	\$ 9,472,041	\$ 3,844,914	-28.8%	\$ 4,159,259	8.2%
02 Federal Help America Vote Act Funding	1,460,317	0	6,288,879	330.7%	12,354,601	96.5%
Total Expenditures	\$ 6,857,128	\$ 9,472,041	\$ 10,133,793	47.8%	\$ 16,513,860	63.0%
General Fund	\$ 5,396,811	\$ 7,035,098	\$ 6,911,569	28.1%	\$ 5,958,985	-13.8%
Special Fund	1,447,297	2,436,941	3,146,764	117.4%	2,284,875	-27.4%
Federal Fund	13,020	-\$ 0	75,460	479.6%	8,270,000	10859.4%
Total Appropriations	\$ 6,857,128	\$ 9,472,041	\$ 10,133,793	47.8%	\$ 16,513,860	63.0%

Note: The fiscal 2004 appropriation does not include deficiencies, and the fiscal 2005 allowance does not reflect contingent reductions.