



Legislative Fiscal Bureau

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Joint Committee on Finance

Paper #271

Information Technology Systems (Elections Board and Program Supplements)

Base Agency

[LFB 2007-09 Budget Summary: Page 127, #2, Page 128, #4, and Page 453, #1]

CURRENT LAW

The State of Wisconsin Elections Board Computer System (SWEBIS) was created in 1987 and is still being utilized by the Board to carry out its campaign finance responsibilities. The Board's supplies and services budget under its GPR-funded general program operations appropriation supports the operation of the system. Total base level supplies and services funding under this appropriation is \$159,300 GPR annually.

On October 29, 2002, the federal Help America Vote Act (HAVA) was signed into law. HAVA establishes a series of new mandates applicable to the states, including the creation of an official, centralized, computerized statewide voter registration list system. In the fall of 2004, the Board began work on a statewide voter registration system, incorporating system features required under federal law, as well as developing functionality to permit state election administration functions to be transferred from SWEBIS to the new Statewide Voter Registration System (SVRS). Elections Board staff indicates that the new SVRS has been utilized statewide beginning with the September, 2006, primary election. The Department of Administration's Division of Enterprise Technology (DET) hosts the SVRS on DET computer hardware. The SVRS has been developed and maintained to date utilizing federal HAVA and associated state match funding.

GOVERNOR

Continue to reserve base level funding of \$450,000 GPR annually under the Joint Committee on Finance GPR supplemental appropriation for possible future release to the Elections Board for conversion of the SWEBIS campaign finance database.

Provide \$924,700 GPR and \$79,800 PR in 2007-08, and \$1,027,200 GPR and \$79,800 PR in 2008-09, for state funding of annual maintenance and support costs associated with the hosting of SVRS on DET hardware. Program revenue would be provided from the Board's materials and services PR appropriation. The Governor estimates that the materials and services PR appropriation will generate an additional \$89,800 annually in PR-revenue during the 2007-09 biennium from the sale of data from SVRS.

DISCUSSION POINTS

1. Until the development of the Statewide Voter Registration System, SWEBIS was utilized by the Board to carry out both its election administration and campaign finance responsibilities. Beginning with the 1997-99 biennium, the Elections Board has been provided \$530,000 GPR for a database conversion project intended to: (a) convert the SWEBIS databases used to administer election activities and campaign finance reports; and (b) enhance SWEBIS to allow the electronic filing and retrieval of campaign finance report information over the Internet. Despite this previous funding commitment, the Board continues to utilize the SWEBIS campaign finance database which dates back to 1987. On the other hand, the Board has upgraded its election administration database as a part of its development of SVRS. The remainder of this paper discusses the Board's two information technology systems which are addressed under SB 40: (a) the SWEBIS campaign finance database; and (b) the Statewide Voter Registration System.

SWEBIS Campaign Finance Database

2. In July, 2000, the Joint Committee on Finance provided the Board with \$35,000 GPR to retain a consultant to develop an IT plan for the completion of the database conversion project. The consultant's study found that: (a) the design and development tools for the proposed electronic filing function "[were] not viable" and "[needed] to be started over;" (b) the partially completed computer database conversion was "substantially incomplete" and was plagued with "numerous critical problems;" and (c) the Board "should not continue the ... development project in its current form."

The report instead proposed: (a) the retention of external project management; (b) the retention of a consultant to fully evaluate the system options available (including developing the requirements of the system, screening potential IT vendors, and making the final vendor selection) and (c) the implementation of the project by the selected vendor.

3. In December, 2000, the Joint Committee on Finance provided the Board with \$160,000 GPR to retain an IT consultant to develop and finalize business system requirements for

the project and to oversee the selection of a vendor. Prior to entering into a vendor contract, the Board was directed to submit a report to the Committee detailing the consultant's findings, including cost estimates for the development and maintenance of the project.

4. The report was filed in August, 2001, and identified a five-year cost for the system of approximately \$4.6 million. The initial two-year cost of development and maintenance of the system was estimated at \$3.5 million. [These estimates included costs associated not only with the conversion of the campaign finance database, but also costs associated with the conversion of the elections administration database and developing a functionality to permit the electronic filing and retrieval of campaign finance report information over the Internet.] The Board was not provided funding to permit it to continue system development with the selected vendor.

5. The Board requested a total of \$4.0 million GPR as part of its 2003-05 biennial budget request to continue the development of the project. The Governor did not recommend this funding for the project. However, other funding of \$101,800 GPR was appropriated to the Board during the 2003-05 biennium to maintain the agency's existing campaign finance and elections administration databases, and an additional \$100,000 GPR in 2004-05 was reserved under the Committee's supplemental appropriation for possible future release to the Board for consultant services related to the database conversion project. The purpose of such a consultant would be to: (a) update the business system and technical requirements for the project; and (b) assist the Board in identifying a vendor to complete the conversion.

6. In November, 2004, the Board filed a s. 13.10 request with the Committee to release the \$100,000 GPR in 2004-05 to permit the Board to contract with a vendor to: (a) analyze its campaign finance administrative and audit procedures; (b) refine the business requirements for the upgraded campaign finance database; and (c) develop a request for proposal for a campaign finance information management and electronic filing system. Given the timing of the request in relation to 2005-07 biennial budget deliberations, however, the Committee deferred the request and addressed it instead as a part of the 2005-07 budget.

7. Under 2005 Wisconsin Act 25 (the 2005-07 biennial budget act), the Legislature reserved \$450,000 GPR in 2006-07 under the Joint Committee on Finance GPR supplemental appropriation for possible future release to the Board to: (a) retain an external IT consultant to update the business system and technical requirements for the agency's campaign finance database conversion and repeat the vendor selection process (\$100,000); and (b) make master lease payments to permit development work to begin (\$350,000).

8. Small state agencies typically lack the IT and procurement expertise of the Department of Administration (DOA). The relative lack of IT expertise at the Board has been a factor in the earlier difficulties that the Board experienced with this database conversion project. As a result, when the Legislature approved funding for the project in the current biennium, the Legislature also directed DOA to: (a) assist the Board in the vendor selection process for the computer database conversion project; and (b) designate a staff person in DET to provide quality assurance of any development work completed on the campaign finance database.

9. In April, 2006, the Board filed a s. 13.10 request with the Committee requesting the release of \$100,000 GPR from the Committee's GPR supplemental appropriation. On June 21, 2006, the Committee provided a one-time supplement of \$50,000 GPR to the Board to: (a) retain an IT consultant to update the business system and technical requirements for the agency's campaign finance database conversion project; and (b) identify a vendor to complete the conversion.

10. Elections Board staff indicates that the business system and technical requirements for the campaign finance database conversion project have been updated, but that a request for proposal has not been issued yet. The Board submitted a request for purchasing authority to DOA's Bureau of Procurement in August, 2006, to permit the conversion project to proceed.

11. The Board also submitted a build verses buy cost analysis to the Bureau. The Board identified a number of concerns associated with any "in-house" modification of a campaign finance software package and further estimated that modifying such software in-house would be more expensive than outsourcing the work. [The Board analysis assumes that the state could upgrade its campaign finance database more economically by customizing and modifying a campaign finance software package, as opposed to developing such a database from scratch.]

12. In particular, the Board expressed concerns that: (a) data conversion and software customization and modification could go more smoothly if a vendor with a campaign finance software package were permitted to employ subcontractors with which it has worked in the past, as opposed to state employees with whom it may have had no previous working relationship, and who may have no experience with a comparable project; (b) significant costs could be incurred to train in-house IT staff on the business requirements for the state's campaign finance database; (c) significant costs could be incurred to train in-house IT staff on the functionality of the base campaign finance software package; (d) a vendor with a campaign finance software package may be unwilling to provide state employees with access to the software's source code (and without this access state employees would be unable to customize and modify the package to meet Wisconsin's needs); (e) if a vendor with a campaign finance software package did permit state employees to have access to the software's source code, the vendor could be unwilling to warrant and support the software as state employees, as opposed to the vendor, would be customizing and modifying the software package; and (f) a vendor with a campaign finance software package could offer technical and subject matter expertise currently lacking by state IT staff.

13. DET further indicates that it does not have existing state staff that could be directed to convert the campaign finance database without diverting resources from current projects and responsibilities. DET officials indicate that they are currently staffed to provide and maintain selected IT systems of a statewide nature, but have not been provided the resources to undertake the development of specialized IT systems for individual state agencies.

14. As of this writing, the Board continues to work with staff from DOA's Bureau of Procurement and DET to finalize a request for purchasing authority to permit the project to proceed. If the request for purchasing authority is approved and a vendor selected before the end of the state fiscal year, \$400,000 GPR remains in the Committee's appropriation for 2006-07, which could be

utilized to make an initial master lease payment.

15. Under SB 40, the Governor has recommended reserving \$450,000 GPR annually under the Joint Committee on Finance GPR supplemental appropriation for possible future release to the Elections Board for conversion of the SWEBIS campaign finance database. This funding could be utilized to either permit master lease payments to continue to be made in 2007-09 if the project is initiated in 2006-07, or provide funding for master lease payments to permit the project to first proceed in 2007-09.

16. Based upon its updated review, Elections Board staff indicates that the cost to upgrade the campaign finance database may range from \$1.5 million to \$3.0 million. In addition, Board staff estimates annual maintenance and support costs for the new system could range from \$0.5 million to \$1.0 million. The maintenance and support costs for any new system would likely not be incurred until the 2009-11 biennium, after the initial warranty period for the system expired.

17. DOA staff indicates that \$450,000 annually in funding would permit the state to enter into a five-year master lease arrangement that would provide \$1,919,300 in funding to support contractual services, equipment, and software costs, with an additional \$330,700 addressing interest payments under the master lease. Under a seven-year master lease arrangement, \$450,000 annually in funding would provide \$2,541,600 in funding to support contractual services, equipment, and software costs, with an additional \$608,400 addressing interest payments under the master lease.

18. As a result, the recommended funding would appear to be sufficient to address development costs to upgrade the campaign finance database. If the Committee approves the request, maintenance and support funding for the system would likely have to be provided in the future.

19. Elections Board staff indicates that while the current campaign finance system itself has been stable for a number of years, the underlying Ingres database is no longer supported by the developer or DET. In addition, the age of the system creates risks associated with each subsequent upgrade of the underlying database, operating system, and/or hardware. With any future required upgrade of the current database, operating system, or associated hardware, Board staff has expressed the concern that the existing campaign finance application will no longer be able to operate in the new environment. In addition, the server for the campaign finance database is no longer supported by the vendor or DET. The Elections Board indicates that, "If there is a hardware or software failure it is likely to be a very long time before service could be restored, if at all." Further, Board staff advises that any significant changes to existing campaign finance laws that the Legislature might choose to adopt could not be accommodated by the existing system. As a result, the Elections Board feels that it is critical that the new campaign finance database conversion move forward.

20. DET staff concurs in the overall assessment of the status of the current system operated by the Elections Board. DET staff indicates that the Ingres database is no longer supported, the hardware and operating system for the campaign finance database are aging, and the

system, in their opinion, is due for replacement.

21. If the Committee believes it is necessary to upgrade and modernize the Board's campaign finance database, the Committee could approve the Governor's recommendation to reserve \$450,000 GPR annually under the Joint Committee on Finance GPR supplemental appropriation for possible future release to the Elections Board for conversion of the SWEBIS campaign finance database. If the Committee continues to believe that as a small agency the Board could utilize the assistance of DOA in completing this information technology project, the Committee could direct DOA to: (a) assist the Board in the vendor selection process for the computer database conversion project; and (b) designate a staff person in DET to provide quality assurance of any development work completed on the campaign finance database.

22. The Committee could also conclude that no additional funding should be provided at this time for the Board's campaign finance database project. Under this alternative, the \$450,000 GPR annually recommended by the Governor could be deleted. The Board's existing campaign finance reporting system may remain operational with its current level of functionality over the short-term; however, the system's long-term viability cannot be assured.

Statewide Voter Registration System

23. On October 29, 2002, the federal Help America Vote Act (HAVA) was signed into law. HAVA established a series of new mandates applicable to the states, including: (a) the creation of an official, centralized, computerized statewide voter registration list system; and (b) the implementation of requirements that all polling stations be equipped with voting systems accessible to individuals with disabilities, including non-visual accessibility for the blind and visually impaired. HAVA also provided grant funding to the states (primarily in Titles I and II of the Act).

24. During 2002-03, Wisconsin received \$7.0 million FED of HAVA Title I funds, which required no state match, and during 2004-05, the state received \$43.0 million FED of Title II funds, subject to a 5% state match. The state matching funds have been provided through previous state expenditures, in-kind matches, or have been reserved through a series of legislative actions. While HAVA Title II funds may be used, in part, to improve the administration of elections for federal office (including the development of an elections administration database), they may not be used to fund the campaign finance portion of the Board's database conversion project.

25. In the fall of 2004, the Board began work on the HAVA-mandated statewide voter registration system. Under HAVA the system must: (a) contain the name and registration information of every legally registered voter in the state; (b) assign a unique identifier to each legally registered voter; (c) serve as the statewide single system for storing and managing the official list of registered voters; (d) permit any state or local election official in the state to obtain immediate electronic access to the information or list; (e) permit all voter registration information obtained by a local election official to be electronically entered into the database on an expedited basis at the time the information is provided to the local official; (f) be coordinated with other state agency databases to verify the accuracy of the information provided on applications for voter

registration; and (g) provide adequate technological security measures to prevent unauthorized access to the computerized list.

26. HAVA further requires that the list be continuously maintained to ensure that: (a) the name of each registered voter appears on the computerized list; (b) only voters who are not registered or who are not eligible to vote are removed from the computerized list; and (c) duplicate names are eliminated from the computerized list. The state is required to ensure that its voter registration records are accurate and updated regularly, including: (a) a system of file maintenance that makes a reasonable effort to remove registrants who are ineligible to vote from the official list of eligible voters; and (b) safeguards to ensure that eligible voters are not removed in error from the official list of eligible voters.

27. HAVA requires that the new statewide voter registration system (SVRS) verify the accuracy of the information provided by voter registration applicants. To meet this verification requirement, the Act requires the Executive Director of the State Elections Board and the Secretary of the Department of Transportation (DOT) to enter into an agreement to match information in SVRS with information in the DOT driver's license database to the extent required to verify the accuracy of the information provided on the voter registration applications. The Secretary of DOT must also enter into an agreement with the U.S. Commissioner of Social Security for the purpose of verifying information on the names, dates of birth, and Social Security numbers provided on voter registration applications and for determining whether or not an individual is deceased.

28. The SVRS developed by the Board maintains a current list of eligible registered voters as well as a list of ineligible voters. The Board intends to utilize electronic file transfers between SVRS and the driver's license database at DOT, the vital statistics database at the Department of Health and Family Services, and the felons database at the Department of Corrections, to verify the accuracy of information provided on voter registration applications and to update the database of ineligible voters due to felony conviction or death.

29. Electronic file transfers will occur daily between SVRS and DOT to verify the accuracy of voter registration information against the DOT driver's license and Social Security databases. Electronic file transfers will occur once a month from the vital statistics and felons databases to permit the SVRS database of ineligible voters due to felony conviction or death to be updated. Changes made to SVRS will be compared daily to this database to ensure that ineligible voters are not included in SVRS.

30. This system of electronic file transfers is in the testing phase and Elections Board staff anticipates that it will be fully operational by the end of the summer of 2007. Board staff further indicates that beginning with last fall's primary election (2006), the Board has provided local clerks hard copies of reported deaths and individual's disqualified to vote due to felony conviction to ensure that only eligible individuals were permitted to vote.

31. The SVRS is also designed to maintain and manage a variety of state elections administration data regarding: (a) absentee voting; (b) statewide voting ward information, including

contact information for all municipal and county clerks; (c) tracking voter participation in elections; (d) ballot creation information; (e) polling place data, including poll locations, poll hours and polling place accessibility for the disabled; (f) registration of candidates and their campaigns; (g) determining whether candidates have qualified to be placed on the ballot; and (h) canvassing election results. Including these election administration functions as a part of the statewide voter registration system permitted the integration of these functions and enabled the Board to replace its SWEBIS elections administration database with substantial amounts of HAVA funding.

32. The SVRS has been developed and maintained to date utilizing federal HAVA and associated state match funding. The Governor has recommended providing \$924,700 GPR and \$79,800 PR in 2007-08, and \$1,027,200 GPR and \$79,800 PR in 2008-09, to provide state funding for annual maintenance and support costs associated with the hosting of SVRS on DET hardware.

33. Program revenue would be provided from the Board's materials and services PR appropriation. The Governor estimates that the materials and services PR appropriation will generate an additional \$89,800 annually in PR-revenue during the 2007-09 biennium from the sale of data from SVRS. The estimates of program revenue appear reasonable.

34. In 2005-06, \$10,200 in revenue was deposited to the Board's materials and services PR appropriation, which has annual expenditure authority totaling \$20,200 PR. The estimated additional revenue of \$89,800 annually would support the recommended increase in expenditure authority for the appropriation of \$79,800 PR annually. If the Governor's recommendation is adopted, the Board's materials and services PR appropriation would be provided expenditure authority totaling \$100,000 PR annually during each year of the 2007-09 biennium. The Board indicates that the entire \$100,000 PR in expenditure authority would be utilized to offset annual maintenance and support costs associated with the hosting of SVRS on DET hardware.

35. Based on updated information from DET, it is now estimated that the Board will continue to pay the same annual hosting fees for SVRS during the 2007-09 biennium that it is currently paying in 2006-07, or \$931,500 annually. The provisions of SB 40 provide total funding for hosting charges of \$1,024,700 in 2007-08, and \$1,127,200 in 2008-09, including GPR funding of \$924,700 in 2007-08, and \$1,027,200 in 2008-09. As a result, the Committee could reduce GPR funding for DET SVRS hosting by \$93,200 in 2007-08, and by \$195,700 in 2008-09.

36. Some might question whether the remaining \$831,500 GPR annually provided for DET hosting of SVRS during the 2007-09 biennium could be funded with remaining HAVA dollars. Elections Board staff estimates that \$11,400,600 in federal HAVA funding, associated state match funding, and interest earnings will remain in the Election Administration Fund by the end of 2006-07.

37. The Election Administration Fund is a separate, nonlapsible trust fund consisting of federal HAVA and associated state match funding, as well as interest earned on these funds. The state created this fund to comply with the requirements of HAVA. The balances in the fund may only be utilized to meet the requirements of HAVA and to address election administration costs as

permitted by HAVA. For so long as balances remain in the fund, the Election Administration Fund may continue to be utilized to address these costs.

38. Based on current Board estimates of expenditures from the Election Administration Fund through 2010-11, Table 1 reflects the remaining balance in the fund at the end of the 2010-11 state fiscal year if DET charges for SVRS hosting were funded from state revenues. These calculations include additional interest revenues estimated to accrue to the fund. Anticipated expenditures include amounts for local election official training, staffing costs associated with operating SVRS, SVRS maintenance and support charges owed to Accenture, and other election administration costs associated with complying with HAVA and state law requirements.

TABLE 1

Election Administration Fund Balance Under SB 40

<u>Fiscal Year</u>	<u>Opening Balance</u>	<u>Interest</u>	<u>Expenditures</u>	<u>Closing Balance</u>
2007-08	\$11,400,600	\$375,200	\$2,525,000	\$9,250,800
2008-09	9,250,800	305,200	2,600,000	6,956,000
2009-10	6,956,000	225,700	3,325,000	3,856,700
2010-11	3,856,700	146,800	2,525,000	1,478,500

39. Based on current Board estimates of expenditures from the Election Administration Fund through 2010-11, Table 2 identifies the expenditure of all remaining balances in the fund by the end of 2010-11 if DET charges for SVRS hosting were funded from the Election Administration Fund. [These calculations assume that DET hosting charges would not increase during the 2009-11 biennium. These calculations also assume that interest earnings will be proportionally reduced by the more rapid drawdown of fund balances.]

TABLE 2

**Election Administration Fund Balance Under SB 40
Modified to Include Voter Registration System Hosting Charges**

<u>Fiscal Year</u>	<u>Opening Balance</u>	<u>Interest</u>	<u>Expenditures</u>	<u>Closing Balance</u>
2007-08	\$11,400,600	\$341,500	\$3,356,500	\$8,385,600
2008-09	8,385,600	268,700	3,431,500	5,222,800
2009-10	5,222,800	177,000	4,156,500	1,243,300
2010-11	1,243,300	64,200	3,356,500	-2,049,000

40. DET hosting charges for SVRS would be an allowable use of funding from the Election Administration Fund. The Committee could increase the expenditure authority to the

Board's election administration SEG appropriation by \$831,500 SEG annually to permit the Board to fund DET hosting charges from the Election Administration Fund. When the Election Administration Fund is exhausted, SVRS and election training costs currently covered by the fund will have to be supported with state revenues.

41. Alternatively, the Committee could consider reducing GPR funding under the bill to reflect revised estimates of DET charges for 2007-09, but provide that the remaining hosting charges would be addressed with recommended GPR and PR funding.

ALTERNATIVES TO BASE

A. Campaign Finance Database

1. Approve the Governor's recommendation to reserve \$450,000 GPR annually under the Joint Committee on Finance GPR supplemental appropriation for possible future release to the Elections Board for conversion of the campaign finance database. [Under 2005 Wisconsin Act 25 (the 2005-07 biennial budget act), the Legislature reserved \$450,000 GPR in 2006-07 under the Joint Committee on Finance GPR supplemental appropriation for possible future release to the Elections Board for conversion of the campaign finance database.]

ALT A1	Change to Bill Funding	Change to Base Funding
GPR	\$0	\$0

2. Direct the Department of Administration to: (a) assist the Board in the vendor selection process for the Board's campaign finance database conversion project; and (b) designate a staff person in the Department's Division of Enterprise Technology to provide quality assurance of any development work completed in regards to the campaign finance database. [*Alternative A2 may be selected in addition to Alternative A1.*]

3. Delete provision.

ALT A3	Change to Bill Funding	Change to Base Funding
GPR	-\$900,000	-\$900,000

B. Statewide Voter Registration System

1. Approve the Governor's recommendation to provide \$924,700 GPR and \$79,800 PR in 2007-08, and \$1,027,200 GPR and \$79,800 PR in 2008-09, to provide state funding for annual maintenance and support costs associated with the hosting of the Statewide Voter Registration

System (SVRS) by the Department of Administration's Division of Enterprise Technology (DET) on DET hardware.

ALT B1	Change to Bill Funding	Change to Base Funding
GPR	\$0	\$1,951,900
PR	<u>0</u>	<u>159,600</u>
Total	\$0	\$2,111,500

2. Modify the Governor's recommendation by reducing GPR funding by \$93,200 GPR in 2007-08, and by \$195,700 GPR in 2008-09, to reflect updated information by DET on anticipated charges during 2007-09 to host SVRS on DET hardware.

ALT B2	Change to Bill Funding	Change to Base Funding
GPR	-\$288,900	\$1,663,000
PR	<u>0</u>	<u>159,600</u>
Total	-\$288,900	\$1,822,600

3. Eliminate all GPR funding recommended by the Governor for the Board for annual maintenance and support costs associated with hosting SVRS on DET hardware. Instead, provide \$831,500 SEG annually to the Board's election administration appropriation to permit the Board to fund DET hosting charges with balances from the Election Administration Fund. The provided funding reflects updated information by DET on anticipated charges during 207-09 to host SVRS on DET hardware.

ALT B3	Change to Bill Funding	Change to Base Funding
GPR	-\$1,951,900	\$0
PR	<u>0</u>	<u>159,600</u>
SEG	<u>1,663,000</u>	<u>1,663,000</u>
Total	-\$288,900	\$1,822,600

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