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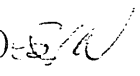
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S.F. No. 290 - Voting Equipment Appropriation

Author: Senator Linda Higgins

Prepared by: Peter S. Wattson, Senate Counsel (651/296-3812) 

Date: February 10, 2005

S.F. No. 290, as amended by the Committee on Elections, appropriates \$36 million from the Help America Vote Act account: \$18 million to purchase voting equipment to comply with the mandate of the Help America Vote Act of 2002, Public Law 107-252, 116 Stat. 1666 (Oct. 29, 2002) (HAVA) that every polling place be equipped with a voting machine that permits people with disabilities to vote in private without assistance, and \$18 million to purchase optical scan voting equipment and pay for operating costs of voting equipment. The Consolidated Appropriations Act, 2004, Public Law 108-199 (Jan. 23, 2004) appropriated \$1.5 billion of federal money to fund the HAVA requirements. Minnesota's share is \$39,178,788, which has been deposited in the HAVA account in the state treasury created by Laws 2003, First Special Session chapter 7. These appropriations are made from that account.

Section 1 directs the Secretary of State, in cooperation with the Commissioner of Administration, to establish a state voting systems contract from which counties and municipalities may purchase or lease voting systems and obtain related election services.

Section 2 implements the requirement of HAVA, section 301(a)(2)(B), that:

- (i) The voting system shall produce a permanent paper record with a manual audit capacity for such system.
- (ii) The voting system shall provide the voter with an opportunity to change the ballot or correct any error before the permanent paper record is produced.

(iii) The paper record produced under subparagraph (A) shall be available as an official record for any recount conducted with respect to any election in which the system is used.

It also imposes a requirement that an electronic voting system purchased on or after the effective date of this section may not be employed unless it accepts and tabulates in the precinct or at a counting center a marked optical scan ballot or creates a marked optical scan ballot that can be tabulated in the precinct or at a counting center by an optical scan machine that has been certified for use in this State.

Section 3 contains the appropriations.

Subdivision 1 appropriates \$18 million from the HAVA account for grants to counties to purchase electronic voting systems equipped for individuals with disabilities. The amount of the grant to each county is \$4,400 times the number of polling places in the county as certified by the county, plus \$4,400 to purchase an electronic voting system to be used by the county auditor for absentee and mail balloting. Each polling place used after January 1, 2006, must be equipped with an electronic voting system equipped for individuals with disabilities.

Subdivision 2 appropriates \$18 million from the HAVA account for grants to counties to purchase optical scan voting systems and to pay for operating costs of electronic voting systems purchased with money from the HAVA account. The amount allocated to each county must be in proportion to the number of precincts used by the county in the state general election of 2004. Total annual operating costs of a county or municipality may not exceed \$450 per polling place.

Subdivision 3 requires each county to develop by June 30, 2005, a local equipment plan detailing how the HAVA money will be spent and who will be responsible for purchasing and maintaining the new equipment. The county board must hold a public hearing on the plan and may not spend the HAVA money until the local equipment plan has been adopted. The county must file a copy of the adopted plan with the Secretary of State.

Subdivision 4 requires each county receiving a grant to report to the Secretary of State by January 15, 2006, on how the money was spent. The Secretary of State must compile this information and report it to the Legislature by February 15, 2006.

Subdivision 5 makes the appropriations available until June 30, 2009.

Section 4 provides that nothing in this act is intended to preclude the use of mail balloting in those precincts where it is allowed under state law.

Section 5 makes the act effective the day following final enactment.

PSW:ph

1 A bill for an act

2 relating to elections; setting standards for and
3 providing for the acquisition of voting systems;
4 appropriating money from the Help America Vote Act
5 account; amending Minnesota Statutes 2004, section
6 206.80; proposing coding for new law in Minnesota
7 Statutes, chapter 206.

8 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MINNESOTA:

9 Section 1. [206.585] [STATE VOTING SYSTEMS CONTRACT.]

10 Subdivision 1. [CONTRACT REQUIRED.] The secretary of
11 state, in cooperation with the commissioner of administration,
12 shall establish a state voting systems contract. The contract
13 should, if practical, include provisions for maintenance of the
14 equipment purchased. The contract must give the state a
15 perpetual license to use and modify the software. The contract
16 must include provisions for escrow of the software source code,
17 as provided in subdivision 2. Bids for voting systems and → A5 Amendment
18 related election services must be solicited from each vendor
19 selling or leasing voting systems that have been certified for
20 use by the secretary of state. The contract must be renewed no
21 later than July 1 of each odd-numbered year. Counties and
22 municipalities may purchase or lease voting systems and obtain
23 related election services from the state contract.

24 Subd. 2. [ESCROW OF SOURCE CODE.] The contract must
25 require the voting system vendor to provide a copy of the source
26 code for the voting system to an independent third-party

1 evaluator selected by the vendor, the secretary of state, and
2 the chairs of the major political parties. The evaluator must
3 examine the source code and certify to the secretary of state
4 that the voting system will record and count votes as
5 represented by the vendor. Source code that is trade secret
6 information must be treated as nonpublic information, in
7 accordance with section 13.37. Each major political party may
8 designate an agent to examine the source code to verify that the
9 voting system will record and count votes as represented by the
10 vendor; the agent must not disclose the source code to anyone
11 else.

12 Sec. 2. Minnesota Statutes 2004, section 206.80, is
13 amended to read:

14 206.80 [ELECTRONIC VOTING SYSTEMS.]

15 (a) An electronic voting system may not be employed unless
16 it:

17 (1) permits every voter to vote in secret;

18 (2) permits every voter to vote for all candidates and
19 questions for whom or upon which the voter is legally entitled
20 to vote;

21 (3) provides for write-in voting when authorized;

22 (4) rejects by means of the automatic tabulating equipment,
23 except as provided in section 206.84 with respect to write-in
24 votes, all votes for an office or question when the number of
25 votes cast on it exceeds the number which the voter is entitled
26 to cast;

27 (5) permits a voter at a primary election to select
28 secretly the party for which the voter wishes to vote; and

29 (6) rejects, by means of the automatic tabulating
30 equipment, all votes cast in a primary election by a voter when
31 the voter votes for candidates of more than one party; and

32 (7) provides every voter an opportunity to verify votes
33 electronically and to change votes or correct any error before
34 the voter's ballot is cast and counted, produces a permanent
35 paper record of the ballot cast by the voter, and preserves the
36 paper record as an official record available for use in any

1 recount.

2 (b) An electronic voting system purchased on or after the
3 effective date of this section may not be employed unless it:

4 (1) has a firmware option that supports cumulative voting
5 and ranked order voting; and

6 (2) accepts and tabulates, in the precinct or at a counting
7 center, a marked optical scan ballot or creates a marked optical
8 scan ballot that can be tabulated in the precinct or at a
9 counting center by an optical scan machine certified for use in
10 this state.

11 Sec. 3. [APPROPRIATIONS.]

12 Subdivision 1. [ASSISTED VOTING EQUIPMENT.] \$18,000,000 is
13 appropriated from the Help America Vote Act account to the
14 secretary of state for grants to counties to purchase electronic
15 voting systems equipped for individuals with disabilities that
16 meet the requirements of Minnesota Statutes, section 206.80, and
17 have been certified by the secretary of state under Minnesota
18 Statutes, section 206.57. The secretary of state shall make a
19 grant to each county in the amount of \$4,400 times the number of
20 polling places in the county as certified by the county, which
21 must not be more than the number of polling places used by the
22 county in the state general election of 2004, plus \$4,400 to
23 purchase an electronic voting system to be used by the county
24 auditor for absentee and mail balloting. Each polling place
25 used after January 1, 2006, must be equipped with an electronic
26 voting system equipped for individuals with disabilities.

27 Subd. 2. [OPTICAL SCAN EQUIPMENT; OPERATING COSTS.] (a)
28 \$18,000,000 is appropriated from the Help America Vote Act
29 account to the secretary of state for grants to counties to
30 purchase optical scan voting systems that meet the requirements
31 of Minnesota Statutes, section 206.80, and have been certified
32 by the secretary of state under Minnesota Statutes, section
33 206.57, and to pay for operating costs of the systems purchased
34 under this subdivision or subdivision 1. The amount allocated
35 to each county must be in proportion to the number of precincts
36 used by the county in the state general election of 2004.

1 (b) "Operating costs" may include county and municipal
2 costs for hardware maintenance, election day technical support,
3 software licensing, voting system testing, training of county or
4 municipal staff in the use of the voting system, transportation
5 of the voting systems to and from the polling places, and
6 storage of the voting systems between elections. Total annual
7 operating costs of a county or municipality may not exceed \$450
8 per polling place.

9 (c) To receive a grant, a county must apply to the
10 secretary of state on forms prescribed by the secretary of state
11 that set forth how the grant money will be spent. A county may
12 submit more than one grant application, so long as the
13 appropriation remains available and the total amount granted to
14 the county does not exceed the county's allocation.

15 Subd. 3. [LOCAL EQUIPMENT PLANS.] (a) The county auditor
16 shall convene a working group of the city and town election
17 officials in each county to create a local equipment plan. The
18 working group must continue to meet until the plan is completed,
19 which must be no later than June 30, 2005. The plan must:

20 (1) contain procedures to implement assisted voting
21 technology for use by disabled voters in each polling location;

22 (2) define who is responsible for any capital or operating
23 costs related to election equipment not covered by federal money
24 from the Help America Vote Act account; and

25 (3) outline how the grants under subdivisions 1 and 2 will
26 be spent.

27 (b) A county plan must provide funding to purchase
28 precinct-based optical scan equipment for any polling place
29 whose city or town requests it, if the requesting city or town
30 agrees with the county on who will be responsible for operating
31 and replacement costs related to the use of the precinct-based
32 equipment.

33 (c) The county board of commissioners must adopt the local
34 equipment plan after a public hearing. Money from the Help
35 America Vote Act account may not be expended until the plan is
36 adopted. The county auditor shall file the adopted local

1 equipment plan with the secretary of state.

2 Subd. 4. [REPORT.] Each county receiving a grant under
3 subdivision 1 or 2 must report to the secretary of state by
4 January 15, 2006, the amount spent for the purchase of each kind
5 of electronic voting system and for operating costs of the
6 systems purchased. The secretary of state shall compile this
7 information and report it to the legislature by February 15,
8 2006.

9 Subd. 5. [AVAILABILITY.] The appropriations in this
10 section are available until June 30, 2009.

11 Sec. 4. [MAIL BALLOTING.]

12 Nothing in this act is intended to preclude the use of mail
13 balloting in those precincts where it is allowed under state law.

14 Sec. 5. [EFFECTIVE DATE.]

15 This act is effective the day following final enactment.

1 Senator moves to amend S.F. No. 290 as follows:

2 Page 1, line 17, after the period, insert "The contract
3 must provide that, if cumulative voting or ranked order voting
4 is authorized by law for use in a jurisdiction in this state,
5 the vendor will then provide any purchaser of equipment
6 purchased under the contract and used in that jurisdiction with
7 the necessary firmware to support the authorized methods of
8 voting."

9 Page 3, line 3, delete the colon

10 Page 3, delete lines 4 and 5

11 Page 3, line 6, delete "(2)"

1 Senator moves to amend S.F. No. 290 as follows:

2 Page 3, lines 18 and 34, after the period, insert "This
3 appropriation is available until June 30, 2009."

4 Page 5, delete lines 9 and 10 and insert:

5 "Subd. 5. [ADMINISTRATIVE COSTS.] (a) \$54,000 is
6 appropriated from the Help America Vote Act account to the
7 commissioner of administration to establish the state voting
8 systems contract required by section 1. \$36,000 is available
9 until June 30, 2006, and \$18,000 is available for the fiscal
10 year ending June 30, 2007.

11 (b) \$50,000 is appropriated from the Help America Vote Act
12 account to the secretary of state to establish the state voting
13 systems contract required by section 1 and to administer the
14 grants to counties under subdivisions 1 and 2 of this section,
15 to be available until June 30, 2007."

1 Senator moves to amend S.F. No. 290 as follows:

2 Page 1, line 20, after the period, insert "The commissioner
3 of administration shall appoint an advisory committee of county
4 auditors ^{township, city, and school board} and municipal clerks who have had operational
5 experience with the use of electronic voting systems ^{and a representative} to assist
6 the department to review and evaluate the merits of proposals
7 submitted from the voting equipment vendors for the state
8 contract. Appointments to the committee must be made in the
9 manner provided in section 15.0597."

of person with disabilities

#1

**SENATE
STATE GOVERNMENT
BUDGET DIVISION**

February 22, 2005

Minnesota State Board of Investment

Governor (Chair)	- Tim Pawlenty
State Auditor	- Patricia Anderson
Secretary of State	- Mary Kiffmeyer
Attorney General	- Mike Hatch

Constitutional Authority

**SBI Established by Minnesota Constitution,
Section 8**

Statutory Authority

11A Duties and Powers of SBI

356A Fiduciary Requirements

Investment Advisory Council (17 Members)

- **Ten from the local investment community -
appointed by the Board**
- **Directors of the three Statewide Retirement
Systems**
 - **Minnesota State Retirement System**
 - **Public Employees Retirement Association**
 - **Teachers Retirement Association**
- **Commissioner of Finance**
- **Two active employees – appointed by the
Governor**
- **One retiree – appointed by the Governor**

The Board and IAC meet quarterly.

Staff of 20

Assets Invested by the SBI

June 30, 2004

	<u>(in Millions)</u>	
Basic Retirement Funds	\$18,824	
POST Retirement Fund	18,415	
Supplemental Funds	1,040	
Deferred Comp.	<u>2,496</u>	
Total Retirement Funds		\$40,775
Treasurers Cash	\$4,377	
Permanent School Fund	578	
Environmental Trust Fund	342	
Assigned Risk Plan	263	
MN Debt Service	229	
Housing Finance	223	
Iron Range Resources	49	
Closed Landfill	20	
Misc. Accounts	<u>169</u>	
Total Non-Retirement		<u>\$6,250</u>
Total Assets		\$47,025

Investment Policy for Pension Assets

Long Term - 20 to 30 years

Assumed Rate of Return - 8.5%

Asset Allocation

	<u>Basic</u>	<u>POST</u>
U.S. Stocks	45%	45%
International	15	15
Bonds	24	25
Alternatives	15	12
Cash	1	3
Total	<u>100%</u>	<u>100%</u>

MINNESOTA STATE BOARD OF INVESTMENT
RETURN TABLE
Periods Ending June 30, 2004

	<u>One Year</u>	<u>Three Years</u>	<u>Five Years</u>	<u>Ten Years</u>	<u>Fifteen Years</u>	<u>Twenty Years</u>
BASIC FUNDS – TOTAL	16.6	3.0	2.3	9.8	9.7	11.3
BASICS COMPOSITE BENCHMARK	16.3	3.0	2.1	9.6	9.4	11.0
POST FUNDS – TOTAL	16.3	3.3	2.2	9.4	9.3	11.0
POST COMPOSITE BENCHMARK	15.7	3.4	2.0	9.1	9.1	10.7
COMBINED FUNDS – TOTAL	16.5	3.1	2.2	9.6	9.6	11.2
COMBINED COMPOSITE BENCHMARK	16.0	3.2	2.1	9.4	9.3	10.9

Preliminary

Fiscal Note – 2005-06 Session

Bill #: S0290-1E (R) Complete Date:

Chief Author: HIGGINS, LINDA

Title: VOTING SYSTEMS STDS & ACQUISITION

Fiscal Impact	Yes	No
State	X	
Local	X	
Fee/Departmental Earnings		X
Tax Revenue		X

Agency Name: Secretary Of State

This table reflects fiscal impact to state government. Local government impact is reflected in the narrative only.

Dollars (in thousands)	FY05	FY06	FY07	FY08	FY09
Expenditures					
Misc Special Revenue Fund	0	35,703	0	0	0
Less Agency Can Absorb					
-- No Impact --					
Net Expenditures					
Misc Special Revenue Fund	0	35,703	0	0	0
Revenues					
Federal Fund	0	38,000	0	0	0
Net Cost <Savings>					
Misc Special Revenue Fund	0	35,703	0	0	0
Federal Fund	0	(38,000)	0	0	0
Total Cost <Savings> to the State	0	(2,297)	0	0	0

	FY05	FY06	FY07	FY08	FY09
Full Time Equivalents					
-- No Impact --					
Total FTE					

Preliminary

Bill Description

Federal and State Requirements

Legislation is necessary this legislative session to appropriate funds and provide standards and requirements for voting equipment, which must be in place by January 1, 2006 as required by the Help America Vote Act (PL 107-252) (HAVA). The Department of Justice has announced its intentions to strictly enforce this January 1, 2006 deadline with legal action if necessary. HAVA provides funding for:

1. purchase of new voting equipment;
2. replacement of outdated voting equipment;
3. improved accessibility of polling places so that persons with disabilities can vote privately and independently;
4. state compliance legislation for administration of federal elections;

The goal of election administration in Minnesota both before and after the passage of HAVA is to;

1. Reduce the number of spoiled ballots in rural Minnesota by deploying precinct-count optical scan election equipment in these counties
2. Reduce the potential of legal challenge to Presidential and other Federal Election results by providing uniformity throughout the state in the manner by which ballots are counted in all Minnesota jurisdictions;
3. Provide for the first time the opportunity for individuals with disabilities to vote independently and in private by placing a HAVA compliant election machine in every polling place;
4. Provide for the replacement of outdated voting equipment.
5. Provide funds to the counties for equipment maintenance, programming and election judge costs.

Minnesota has already made great progress in addressing major portions of the HAVA requirements through the use of the funds, primarily Title I monies, legislatively appropriated in 2003, for the Statewide Voter Registration System (SVRS) and other election improvement purposes. This allows the vast bulk of the funds addressed in this fiscal note to be used for equipment. SF2901E addresses equipment purchases and ancillary costs, not yet addressed in Minnesota.

Assumptions

SF 290 proposes a number of election equipment strategies.

- 1) Section 3, subdivision 1 provides that a machine that complies with the Federal mandate to accommodate disabilities be purchased for each polling place in Minnesota. That language also mandates that \$4400 per polling place in each county as of November 2, 2004 be provided for grants to counties so that counties may purchase this equipment. This price may be reduced through competitive bidding or through a multi-state purchasing agreement.
- 2) SF 290, Section 3, Subdivision 2 provides for a an allocation to counties proportional to the number of polling places in each county for purchase of precinct-count optical scan machines or for operating costs of the newly purchased voting system equipment.

Expenditure and/or Revenue Formula. Revenues:

Preliminary

The federal government has appropriated in excess of \$3 billion for all 55 states and territories for fulfilling these requirements and for further improvements. Minnesota has received \$5.3 million in HAVA Title I funding which is being used as part of a \$6.5 million appropriation primarily for voter registration system programming among other non-equipment items in First Special Session, laws 2003, Chapter 7, and Minnesota is eligible for an additional \$202,000.00 for grants for disability access to polling places. The \$6.5 million previously appropriated has been expended as follows:

Modify Statewide Voter Registration System	\$5,296,245.90
Provide Assistance to Persons with Ltd. Proficiency	\$ 22,303.42
Improving polling place accessibility	\$ 197,796.15
Train Local Election Officials	\$ 95,187.92
Prepare training materials	\$ 88,286.53
Develop complaint procedures	\$ 12,785.96
Develop State Plan	\$ 498,055.20
Total FY 2003, 2004 & 2005	\$6,210,661.08

In addition there is \$39,196,016.96 allocated to Minnesota under HAVA Title III for equipment, voter registration system and voter information purposes. This allocation is based on the proportion of voting age population as of the 2000 Census that Minnesota bears to the entire nation, which appears to be 1.71%. These funds are currently in the Help America Vote Act account. Of this amount, approximately \$38 million appears to be available for the costs outlined in this bill. While there is a 5% matching requirement under HAVA, the Legislature declared, in First Special Session, Laws 2003, Chapter 7, that the state and local funds previously spent on the Voting Equipment Grant Account in 2001 and 2002 constituted the state match, and that, in addition to interest earned on Federal funds, should be sufficient to match the amounts allocated to Minnesota to date.

It is unlikely that there will be any further Federal funding of HAVA costs, even though the entire three billion authorized has not yet been appropriated.

Expenditures:

The language of SF290 provides for expenditures in the following priority:

- a) \$18,000,000 to be appropriated for the purchase of the voting system machine mandated by HAVA for voters with disabilities allocated to each county based upon the number of polling places in the county times \$4,400
- b) \$18,000,000 to be allocated among counties based on the number of polling places for purchase of precinct count optical scan machines and/or reimbursement of the operating costs of each polling place.

Voting systems for persons with disabilities It appears that the approximate price for voting systems that accommodate persons with disabilities as mandated by HAVA and provided for as described in SF 290, Section 1 will be approximately \$4,000.00 per machine. This is based upon an unofficially quoted price from a current manufacturer of these machines, with a volume discount of approximately 10% also factored in.

- 1. Total Amount of Federal Funding for Equipment and Equipment Implementation: \$38,000,000
- 2. Disability Machine Allocation
 - a. (3902 current polling places, plus 87 county auditor offices x \$4400 grant per polling place) = \$17, 551,600

See Note 1

- 3. Amount allocated under Section 3, subdivision 2 for operating costs and/or precinct-count equipment purchase, using current number of polling places: \$18,000,000

Total projected expenditures/equipment: \$35,551,000

Preliminary

Note 1: Ballot marking machine.

These ballot marking machines produce an optical scan ballot, which can be voter-verified before and after production. That ballot then needs to be processed by a machine that can verify that the vote has been properly cast and that there are no voter-correctable errors. The ballot-marking machine itself is new, untested, technology that utilizes a DRE-style voting touch-screen. This kind of machine has not yet been used in Minnesota at all, has not been widely used in previous elections in other states, is a slower voting system and can only handle a maximum of 120 to 150 persons per election-day (and a lesser number in those precincts with shorter polling hours) even under optimum conditions. It is unknown whether this machine will properly record a voter's preference without a further screening by a precinct-count optical scan machine.

Secretary of State Administrative Costs

There are also a number of administrative costs to the office of the Secretary of State in administering this bill.

1. Contract Development:

The cost of developing the contract for voting machines will need to include an RFP Development component. The machines will need to be certified, and there will need to be the standard Bid process.

a) Certification -

State certification of optical scan counters is specified in Minnesota Rule 8220. Certification (or re-certification) of election hardware and software system will require:

- Step 1) initial assessment of the application for completeness, including review of Federal certification materials (such as ITA reports);
- Step 2) a demonstration test essentially the equivalent of a precinct public accuracy test;
- Step 3) preparation of the certification report and recommendation for the Secretary, and
- Step 4) post approval confirmation of bonding and other actions prior to issuing the actual certificate.

All steps assume participation of multiple staff and management, correspondence, and record-keeping. Assumes separate certifications and no related litigation.

For each certification the specific certification effort per machine is:

- Step 1 labor – approximately 1 to 6 labor days depending on the prior level of effort on the vendor's part (assume 4 days).
- Step 2 labor – approximately 8 labor days assuming a cooperative LEO host or vendor host who will take care of sample ballots test decks (at least some of them) and facilities preparation.
- Step 3 labor – approximately 5 labor days, including reviews and approvals.
- Step 4 labor – approximately 4 labor days.

Total Labor – approximately 3 labor weeks

24 labor weeks assuming about 3 labor weeks per application and 8 applications

24x 40 hours per week x \$25 per hour =

Total costs of \$24,000

b) RFP development and execution, including review of bids and letting contract -

Between 24 and 120 secretary of state staff-labor weeks depending upon any synergy between the processes to be used for contracting for the assistive voting marker machines and the tabulating machines, and assuming 8 or fewer voting systems bid. Generally this time will be spent developing the complete specifications for the machines

Total range of costs = \$24,000 to \$120,000

2. Grant Administration:

Preliminary

The bill sets forth a process for the secretary of state to administer grants to the 87 counties for the purchase of the assistive voting technology required in section x of this bill. The costs of this are:

1. Development of application and county plan template- 2 SOS election staff @ 40 hours each
2. Announcement of grant availability to counties - 8 staff hours
3. Review of applications. Two hours for each county - 4 individuals @40 hours each
4. Fiscal department involvement/documentation and issuance of grant money:
- 15 hours (87 counties x 10 minutes per check)
5. Post-disbursement financial documentation and reporting:- 40 hours

Total Hours: 303 @ \$25 average per staff hour =

Total Costs of \$7575

3. Post-Purchase Federal and State Reporting:

1. Development and refinement of questionnaire: - 16 hours
2. Compilation of data:: - 32 hours
3. Preparation and final format of reports: - 16 hours

Total Hours: 64 @ \$25 average per staff hour =

Total Costs of \$1600

NOTE:

There are also competing HAVA implementation costs that should be noted before the bill is considered and possible enacted, as it appears that this bill, if enacted, will totally exhaust the Federal funds available for elections reform. These fall into three primary categories:

- a) Post Election Audit pursuant to 204C.50, enacted in 2004 but not funded, and effective starting in the FY 2006-2007 biennium. This statute imposes requirements on the secretary of state and the county auditor to conduct a post – election audit of both the actual vote count and of procedures used by the local elections officials in 80 precincts throughout the state of various sizes and locations, by conducting a hand count of the actual ballots as well as a machine recount of the actual ballots, and comparing both of those counts and the originally reported count. If there is a discrepancy then a wider count would need to be done. The costs of the initial count are estimated to be approximately \$750 per precinct, or \$60,000. If a discrepancy is discovered, the costs increase, although not arithmetically, depending upon the race in which the discrepancy is found. The range of costs could be up to \$770,000 for a statewide review of the machine count in a single race, if discrepancies continue up the line.

Total Range of Costs in any one Election Cycle = \$60,000 to \$770,000

- b) In order to improve election administration, the secretary of state suggests that the exceedingly time and labor intensity of updating the voter history be automated by providing that on election day, election judges update the voter history as part of the sign-in process by using a laptop computer to record voter history on election day for pre-registered voters, which can then be uploaded to the SVRS system., This would require the presence of equipment at each polling place. At a minimum there would need to be one laptop per precinct as well as certain peripherals such as a bar code wand implement. Minimum costs would be \$4,313,000 for this improvement, mostly in the form of the laptop and peripheral purchases. There are also software costs of approximately \$1,000,000 for programming this capability into the computer and making it compatible with the SVRS.

Preliminary

Total costs = \$5,313,000

- c) An additional category would be the costs of HAVA-associated but ongoing costs of SVRS Social Security verification as required by Federal law, and the costs of serving the local election officials of cities and towns. These two items are contained in the change items in the office of the secretary of state budget, but committee members asked whether funding these activities from HAVA dollars would be possible. It is possible as long as those dollars exist, and the cost would be

\$256,000 in the first year(FY06) and \$227,000 each year thereafter.

Expenditures/equipment:	FY2006 = \$35,551,000
Total Secretary of State Costs:	FY 2006 = \$152,175
Costs discussed in note:	FY2006 = \$5,630,000
	FY 2007 = \$ 287,000
	FY 2008 = \$ 227,000
	FY 2009 = \$ 287,000

Local Government Costs

SF 290 requires that there be a local government equipment plan developed by county and municipal governments: It appears that the costs of developing that plan will fall to the general administration budgets of those political subdivisions.

SF 290 appears to contemplate the continuation of existing hand and central count systems, by the terms of the language in Section 2. Continuation of central count will require, effectively, that there be two machines used for the ballots from each polling place – the HAVA disability machine in the polling place, and the central count machine in the courthouse, with no reduction in the monetary and civic costs of central count, including:

- o central count programming for each precinct
- o staff time for election judges to physically take the ballots to the courthouse and run them through the central count scanning machine

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#3



From Governing's
February 2005 issue

Introduction

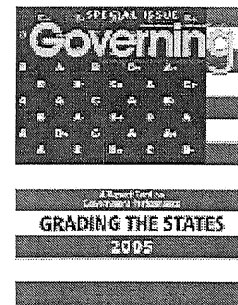
THE GOVERNMENT PERFORMANCE PROJECT Grading the States '05

Minnesota

B+

Minnesota is a well-managed state. Minnesota has been a well-managed state for a long time. But if the political leadership continues down its current route, those sentences may soon have to be written in the past tense.

Since 2001, for example, state government here has excelled in its use of performance information. It tracks the work of its agencies through a publicly available "Department Results" Web site, on which the agencies are required to post goals, measures and their ability to meet targets. Twice a year, each agency must submit a report evaluating its progress in four areas: government reform through technology, financial and capital management, results management and human capital management.



It's no surprise, given this commitment, that the state also has been successful at long-term planning for its finances. It has a good revenue and expenditure estimating process, and few states are stronger in their use of solid managerial practices to govern contracting. Financial reporting is beyond reproach.

Enter the legislature: In a display of grandstanding sufficient to make New York and California look like centers of congeniality, Minnesota's major political players spent virtually all of 2004 squabbling with each other, forcing the House and Senate to adjourn without passing a capital budget, an omnibus spending bill, or any revenue bills. "There were insurmountable differences," says one legislative fiscal analyst. "There were disagreements on almost everything you could think of."

☒ Strength ☐ Mid-level ☒ Weakness

Money A-

Long-Term Outlook ●

Budget Process ○

Structural Balance ●

Contracting/Purchasing ●

Financial Controls/Reporting ●

People B+

Strategic Workforce Planning ●

●

This deeply dismayed many in the state who take pride in its history of managerial excellence.

"Decisions have been made more on politics than they have been based on what's best for Minnesota," says one executive branch official.

The fuse for the political powder keg was lit when the state's self-proclaimed apolitical governor, Jesse Ventura, left office in January 2003. Ventura hadn't gotten along well with either side in the legislature, but this sometimes united the two parties, rather than dividing them and made orderly government possible. Ventura's departure left the legislature without a common enemy, and partisan lines were drawn stronger and bolder than ever before. The GOP House majority found itself in constant conflict with the Democratic majority in the state Senate.

It is a political dispute, not a managerial one, but the consequences for management threaten to be enormous. Take the state's infrastructure. The level of deferred maintenance for state-owned buildings in Minnesota has been tagged at a minimum of \$420 million. With no capital budget and no new bonding bills last year, the problem is getting out of control. "Deferred maintenance is a critical issue at the moment," says Kath Ouska in the State Architect's Office. "We're trying to get a handle on it."

Other facets of Minnesota management are proceeding rather well despite the political confusion. The state's personnel systems are solid. Particularly noteworthy was the adoption in 2002 of a Yahoo!-based résumé system, which has made it dramatically easier to post, recruit for and fill positions. Three years ago, applicants had to muck their way through six-page hand-written applications. Now, they can finish in minutes. Posting a job used to take three weeks; now, it's done in hours. Hiring time has been cut by more than half. Online applicants — who now make up more than 80 percent of the state's pool — can establish personal job searches, receiving an e-mail notification whenever a job matching their search criteria opens up, regardless of what department the job is in.

It's been a very impressive innovation. But all the management innovations in the world won't be enough to save Minnesota from the degenerative effects of

Hiring

Retaining Employees

Training and Development

Managing Employee Performance

Infrastructure

Capital Planning

Project Monitoring

Maintenance

Internal Coordination

Intergovernmental Coordination

Information

Strategic Direction

Budgeting for Performance

Managing for Performance

Program Evaluation

Electronic Government

- **Population (rank):** 4,919,479 (21)
- **Average per capita income (rank):** \$34,443 (7)
- **Total state spending (rank):** \$26,692,608,000 (16)
- **Spending per capita (rank):** \$5,312 (10)
- **Governor:** Tim Pawlenty (R)
- **First elected:** 11/2002
- **Senate:** 67 members: 35 D, 31 R, 1 I
- **Term Limits:** None
- **House:** 134 members: 66 D, 68 R
- **Term Limits:** None

endless partisan wrangling. If last year's political gamesmanship continues, it will only be a matter of time before the state's ability to deliver a wide range of services will suffer. And at that point, it won't really matter much how well the state can measure them.

Note: This corrects the launch year for the state's new résumé system from the version of this article that appears in Governing.



**For additional data
and analysis, go to:**

<http://results.gpponline.org/minnesota>

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#4

Department of Finance Technical Bill
Bill Summary

File Number: H.F. xx/S.F. xx

Sections 1-2: Statewide Systems Billing. These sections propose more flexibility for the Department of Finance in how it manages and administers the billing for the statewide accounting, procurement and payroll systems.

Section 1 amends M.S. 16A.1286, subd. 2 by removing the restriction that billing be solely based on usage of the systems provided by the Intertechnologies (Intertech) Division. Striking the Intertech reference will allow for more flexibility in pursuing the lowest cost options, rather than limiting the billing formula to a specific platform.

Section 2 amends M.S. 16A.1286, subd. 3 by proposing that systems billing funds be allowed to carry forward across biennia. This would allow the department to reserve funds for contingencies and for maintenance expenses which are not on a biennial schedule. The current funding arrangement does not provide stable life cycle funding for systems in a time when market changes beyond our control are adding to the pressure of maintaining essential statewide systems. Contingency funds are needed to mitigate increased risks due to the loss of vendor support and for periodic hardware replacement.

Section 3: Reserves and Priority for Forecast Revenues. This section makes several clarifications to M.S. 16A.1522, subd. 2.

In paragraph (a), the proposed language specifies that the allocation of excess balances to the reserves, cash flow account, aid payment schedule and the property tax recognition shift would occur only with the November forecast. Under the law passed in the 2004 session, these allocations occur with both the November and February forecasts. This law is inconsistent, however, with the goal of having the November forecast serve as the baseline for budget development, with the February forecast intended to reflect only incidental updates to the November data. Limiting the reserve and shift allocations to November will ensure that the Governor's budget and the legislature's budget are developed using the same assumptions on reserve levels and K-12 aid schedules.

In clause (3), the language clarifies that the aid payment shift would be increased to the nearest tenth of a percent. This language reflects current practice.

In paragraph (4)(c), the language clarifies that the any excess balances would be allocated to the reserves and the aid payment and tax shift provisions (clauses 1-4) before the provisions of M.S. 16A.1522, the rebate, take effect.

Section 4: Rebate Requirements. This section removes language related to the one-time payments of the tobacco settlement. These one-time funds have been received by the state and this language is now obsolete.

Section 5: Repealers. This section proposes repeal of M.S. 16A.1522, subdivision 4 and M.S. 16A.30.

M.S. 16A.1522, subdivision 4 relates to the potential transfer of positive forecast balances to the tax relief account. This language conflicts with the priorities established in the 2004 session, as reflected in M.S. 16A.152, subdivision 2.

M.S. 16A.30 proposes the repeal of language related to the review of *applications* for nonstate funds. Due to the volume and uncertainty of many applications for nonstate funds, reviewing the funds at a later point – after they have been awarded or received, and prior to being spent – is more useful and practical.

1 A bill for an act

2 relating to state government; updating Finance
3 Department provisions; amending Minnesota Statutes
4 2004, sections 16A.1286, subdivisions 2, 3; 16A.152,
5 subdivision 2; 16A.1522, subdivision 1; repealing
6 Minnesota Statutes 2004, sections 16A.1522,
7 subdivision 4; 16A.30.

8 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MINNESOTA:

9 Section 1. Minnesota Statutes 2004, section 16A.1286,
10 subdivision 2, is amended to read:

11 Subd. 2. [BILLING PROCEDURES.] The commissioner may bill
12 up to \$7,520,000 in each fiscal year for statewide systems
13 services provided to state agencies, judicial branch agencies,
14 the University of Minnesota, the Minnesota State Colleges and
15 Universities, and other entities. Billing must be based only on
16 usage of services relating to statewide systems ~~provided-by-the~~
17 ~~Intertechnologies-Division~~. Each agency shall transfer from
18 agency operating appropriations to the statewide systems account
19 the amount billed by the commissioner. Billing policies and
20 procedures related to statewide systems services must be
21 developed by the commissioner in consultation with the
22 commissioners of employee relations and administration, the
23 University of Minnesota, and the Minnesota State Colleges and
24 Universities.

25 Sec. 2. Minnesota Statutes 2004, section 16A.1286,
26 subdivision 3, is amended to read:

1 Subd. 3. [APPROPRIATION.] Money transferred into the
2 account is appropriated to the commissioner to pay for statewide
3 systems services ~~during-the-biennium-in-which-it-is-appropriated.~~

4 Sec. 3. Minnesota Statutes 2004, section 16A.152,
5 subdivision 2, is amended to read:

6 Subd. 2. [ADDITIONAL REVENUES; PRIORITY.] (a) If on the
7 basis of a November forecast of general fund revenues and
8 expenditures, the commissioner of finance determines that there
9 will be a positive unrestricted budgetary general fund balance
10 at the close of the biennium, the commissioner of finance must
11 allocate money to the following accounts and purposes in
12 priority order:

13 (1) the cash flow account established in subdivision 1
14 until that account reaches \$350,000,000;

15 (2) the budget reserve account established in subdivision
16 1a until that account reaches \$653,000,000;

17 (3) the amount necessary to increase the aid payment
18 schedule for school district aids and credits payments in
19 section 127A.45 to not more than 90 percent rounded to the
20 nearest tenth of a percent; and

21 (4) the amount necessary to restore all or a portion of the
22 net aid reductions under section 127A.441 and to reduce the
23 property tax revenue recognition shift under section 123B.75,
24 subdivision 5, paragraph (c), and Laws 2003, First Special
25 Session chapter 9, article 5, section 34, as amended by Laws
26 2003, First Special Session chapter 23, section 20, by the same
27 amount.

28 (b) The amounts necessary to meet the requirements of this
29 section are appropriated from the general fund within two weeks
30 after the forecast is released or, in the case of transfers
31 under paragraph (a), clauses (3) and (4), as necessary to meet
32 the appropriations schedules otherwise established in statute.

33 (c) To the extent that a positive unrestricted budgetary
34 general fund balance is projected, appropriations under this
35 section must be made before ~~any-transfer-is-made-under~~ section
36 16A.1522 takes effect.

1 (d) The commissioner of finance shall certify the total
2 dollar amount of the reductions under paragraph (a), clauses (3)
3 and (4), to the commissioner of education. The commissioner of
4 education shall increase the aid payment percentage and reduce
5 the property tax shift percentage by these amounts and apply
6 those reductions to the current fiscal year and thereafter.

7 Sec. 4. Minnesota Statutes 2004, section 16A.1522,
8 subdivision 1, is amended to read:

9 Subdivision 1. [FORECAST.] If, on the basis of a forecast
10 of general fund revenues and expenditures in November of an
11 even-numbered year or February of an odd-numbered year, the
12 commissioner projects a positive unrestricted budgetary general
13 fund balance at the close of the biennium that exceeds one-half
14 of one percent of total general fund biennial revenues, the
15 commissioner shall designate the entire balance as available for
16 rebate to the taxpayers of this state. ~~In-forecasting,~~
17 ~~projecting,-or-designating-the-unrestricted-budgetary-general~~
18 ~~fund-balance-or-general-fund-biennial-revenue-under-this~~
19 ~~section,-the-commissioner-shall-not-include-any-balance-or~~
20 ~~revenue-attributable-to-settlement-payments-received-after-July~~
21 ~~17-1998,-and-before-July-17-2001,-as-defined-in-Section-11B-of~~
22 ~~the-settlement-document,-filed-May-18,-1998,-in-State-v.-Philip~~
23 ~~Morris,-Inc.-,-No.-01-94-8565-(Minnesota-District-Court,-Second~~
24 ~~Judicial-District)-.~~

25 Sec. 5. [REPEALER.]

26 Minnesota Statutes 2004, sections 16A.1522, subdivision 4;
27 and 16A.30, are repealed.

APPENDIX
Repealed Minnesota Statutes for 05-1351

16A.1522 REBATE REQUIREMENTS.

Subd. 4. **Transfer to tax relief account.** Any positive unrestricted budgetary general fund balance on June 30 of an odd-numbered year is appropriated to the commissioner for transfer to the tax relief account.

16A.30 APPLICATIONS FOR NONSTATE FUNDS.

Subdivision 1. **On original application; rules and approval.** An executive agency may not apply for nonstate money without getting the approval of the commissioner on the original of the application. The commissioner may make rules and directives to carry out this section.

Subd. 2. **Historical Society.** Subdivision 1 does not apply to the Minnesota Historical Society.

SENATE STATE GOVERNMENT BUDGET DIVISION

TESTIFIERS PLEASE SIGN

Date Feb. 22, 2005

[illegible]