

COMMITTEE ON LEGISLATIVE RESEARCH  
OVERSIGHT DIVISION

**FISCAL NOTE**

L.R. No.: 1239H.04C  
 Bill No.: HCS for HB 738  
 Subject: Elections  
 Type: Original  
 Date: March 8, 2021

Bill Summary: This proposal modifies several provisions relating to elections.

**FISCAL SUMMARY**

<b>ESTIMATED NET EFFECT ON GENERAL REVENUE FUND</b>			
FUND AFFECTED	FY 2022	FY 2023	FY 2024
General Revenue	Could exceed (\$1,804,015)	(\$11,988)	\$0 or More than \$6,987,115
<b>Total Estimated Net Effect on General Revenue</b>	<b>Could exceed (\$1,804,015)</b>	<b>(\$11,988)</b>	<b>\$0 or More than \$6,987,115</b>

\*Savings of approximately \$7 million in March 2024 (FY 2024) for not holding a Presidential Preference Primary Election (§115.123.2 & §115.785).

Cost of approximately (\$1,650,000) in FY 2022 if the state is required to pay for replacement voting machines for local election authorities, as direct-record electronic (DRE) machines would all need to be replaced no later than January 1, 2022

<b>ESTIMATED NET EFFECT ON OTHER STATE FUNDS</b>			
FUND AFFECTED	FY 2022	FY 2023	FY 2024
<b>Total Estimated Net Effect on <u>Other</u> State Funds</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

Numbers within parentheses: () indicate costs or losses.

<b>ESTIMATED NET EFFECT ON FEDERAL FUNDS</b>			
<b>FUND AFFECTED</b>	<b>FY 2022</b>	<b>FY 2023</b>	<b>FY 2024</b>
<b>Total Estimated Net Effect on <u>All</u> Federal Funds</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

<b>ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)</b>			
<b>FUND AFFECTED</b>	<b>FY 2022</b>	<b>FY 2023</b>	<b>FY 2024</b>
<b>Total Estimated Net Effect on FTE</b>	<b>0</b>	<b>0</b>	<b>0</b>

- Estimated Net Effect (expenditures or reduced revenues) expected to exceed \$250,000 in any of the three fiscal years after implementation of the act or at full implementation of the act.
- Estimated Net Effect (savings or increased revenues) expected to exceed \$250,000 in any of the three fiscal years after implementation of the act or at full implementation of the act.

<b>ESTIMATED NET EFFECT ON LOCAL FUNDS</b>			
<b>FUND AFFECTED</b>	<b>FY 2022</b>	<b>FY 2023</b>	<b>FY 2024</b>
<b>Local Government</b>	<b>\$0 or Unknown</b>	<b>\$0 or Unknown</b>	<b>\$0 or Unknown</b>

## FISCAL ANALYSIS

### ASSUMPTION

Officials from the **Office of the Secretary of State (SOS)** assume this bill removes the requirement to hold a Presidential Preference Primary Election (PPP) every four years. As a result, the State of Missouri would no longer be obligated to pay the costs of such an election.

The payment of election costs is subject to appropriation by the General Assembly. However, if SOS assumes that the Presidential Preference Primary were to be fully appropriated as it has been in years past, they anticipate a cost savings to the state of approximately \$7 million, based on actual expenditures from the 2020 Presidential Preference Primary. Such savings would next occur in FY 2024 as a result of not holding the presidential preference primary in March 2024.

**Oversight** has reflected, in this fiscal note, the state saving due to removing the requirement to hold a PPP. The next scheduled Presidential Preference Primary election is March 2024 (FY24). Therefore, Oversight will reflect a potential election cost savings for reimbursement to local political subdivisions in FY 2024.

Officials from the **SOS** also assume this bill prohibits the use of electronic voting machines and requires that all voting be conducted using paper ballots and paper ballot marking devices. While most jurisdictions currently utilize paper ballots and marking devices, some jurisdictions use direct-record electronic (DRE) machines which would all need to be replaced no later than January 1, 2022, under the provisions of this bill. The state may be required to pay this cost under Article X, Section 21 of the Missouri Constitution.

The estimated cost for a replacement voting machine is \$5,000. Based on our ongoing survey of voting equipment, at least 330 DRE machines were in use throughout the state at the most recent election, with the possibility for that number to increase based on the responses still outstanding. The cost to replace these DREs could reach or exceed \$1,650,000 in FY 2022, depending on if more machines of this type are currently in use.

**Oversight** notes there are 116 local election authorities in the state. There were 2,748 polling places used statewide for the 2016 General Election per general election survey reports. The current November 2020 election survey results have not fully been processed. Oversight is unable to determine the exact amount of DRE machines that were used in the most recent election. According to the SOS, the cost replacement estimate of \$5,000 for a voting machine is an average replacement cost based on actual invoices submitted from local election authorities (reimbursed under their Election Efficiency Grant). Oversight does not have any information to the contrary. Therefore, Oversight will reflect the estimated impact from SOS in the fiscal note.

**SOS** also notes many bills considered by the General Assembly include provisions allowing or requiring agencies to submit rules and regulations to implement the act. The Secretary of State's office is provided with core funding to handle a certain amount of normal activity resulting from each year's legislative session. The fiscal impact for this fiscal note to Secretary of State's office for Administrative Rules is less than \$5,000. The Secretary of State's office recognizes that this is a small amount and does not expect that additional funding would be required to meet these costs. However, they also recognize that many such bills may be passed by the General Assembly in a given year and that collectively the costs may be in excess of what our office can sustain with our core budget. Therefore, they reserve the right to request funding for the cost of supporting administrative rules requirements should the need arise based on a review of the finally approved bills signed by the governor.

**Oversight** assumes the SOS could absorb the costs of printing and distributing regulations related to this proposal. If multiple bills pass which require the printing and distribution of regulations at substantial costs, the SOS could request funding through the appropriation process.

**Oversight** notes that section 115.286 of the proposal states that "Absentee ballots received by the election authority through a common carrier such as the United States Postal Service or through an authorized drop box provided by the election authority are deemed cast when received prior to the time fixed by law for the closing of the polls on Election Day." According to the SOS eighty five ballots boxes were purchased using HAVA security grant money from Missouri Vocational Enterprises at \$501 apiece, for a total of \$42,585. The SOS did not distribute the boxes for use in the August or November election.

There are 116 Local Election Authorities (LEA) in the state. They are not required to have an absentee ballot drop box but upon request are able to have multiple at varying locations. Assuming each LEA requests one drop box, that would be a total cost of \$58,116 (116 x \$501). Oversight assumes that if additional ballot boxes are needed to meet the needs of local election authorities for new or replaced boxes the SOS could request funding through the appropriation process if Federal or Grant monies are not available.

Officials from **Department of Revenue** state:

**§115.151.3**

Requires the Department to transmit voter registration application forms to the appropriate election authority and modifies the requirement to transmit no later than three business days after the form is completed by the applicant.

**§115.160.3**

Requires the Department to utilize electronic voter registration application forms and to ensure the confidentiality and integrity of the data collected, maintained, received, or transmitted.

**§115.160.5**

Requires the Department to transmit voter registration information in a secure and electronic manner, including electronic image of the signature of the applicant, in a format compatible with the Missouri voter registration system established in §115.158. The proposed changes further define that each election authority receiving application forms must forward any application that pertains to a different election authority to that election authority in a secure and electronic manner.

**§115.427.2(1)**

The proposed change removes the language requiring the individual to sign a statement certifying the individual has no other form of personal identification that meets the current requirements of §115.427.2(1) when applying for a Nondriver for voting transactions.

**Administrative Impact**

Currently the Department is required to have the individual who is applying for a Nondriver license for voting purposes sign a statement at the time of application, certifying under penalty of perjury, that they have no other form of personal identification that would meet the current requirements of §115.427.2(1).

To implement the proposed legislation, the Department will be required to:

- Coordinate with the Secretary of State to develop requirements for the data and signature file specifications for election authorities;
- OA-ITSD must develop a data pull process for voter registration data collected at the time of license, permit or nondriver license issuance, including electronic signatures;
- OA-ITSD must develop a secure process that is a format compatible with the Missouri voter registration system for sending the required signature and voter registration information file to the data file for submission to the election authorities;
- OA-ITSD Test the file generation and secure transfer process to ensure all required data elements and signature are sent as required;
- Obtain format and procedure approvals from Secretary of State and others as applicable;
- Develop website information to link inquirers to the Secretary of State for information regarding the new automatic voter registration and provisions for declining automatic registration.
- Define requirements to modify the Missouri Electronic Driver License (MEDL) system to modify the voter registration application form data and signature collection to comply with electronic transmission requirements.
- Develop and initiate user acceptance testing for changes the MEDL system.
- Modify office procedures to reflect changes to voter registration application data collection.
- Obtain necessary approvals from all entities for the application and procedure changes as well as data transfer specifications.
- Update policies, procedures, and the Uniform License Issuance Manual (ULIM);

- Update forms, manuals, and the Department website;
- Complete business requirements and design documents to modify the Missouri Electronic Driver License (MEDL) issuance system and MEDL central application;
- Complete programming and user acceptance testing of the Missouri Electronic Driver License (MEDL) issuance system;
- Train staff.

**§§115.151.3, 115.160.3, 115.160.5**

**FY 2022 – Driver License Bureau**

Research/Data Assistant	320 hrs. @ \$15.98	= \$ 5,114
Research/Data Analyst	640 hrs. @ \$23.82	= \$15,245
Administrative Manager	80 hrs. @ \$22.24	= \$ 1,779
Total		= \$22,138

**FY 2022 – Personnel Services Bureau**

Associate Research/Data Analyst	20 hrs. @ \$19.09	= \$ 382
Total Costs		= \$22,520

**§115.427.2(1)**

**FY 2022 – Driver License Bureau**

Research/Data Assistant	260hrs. @ \$15.98 per hr.	= \$4,155
Research/Data Analyst	280hrs. @ \$23.82 per hr.	= \$6,670
Administrative Manager	40 hrs. @ \$22.24 per hr.	= \$ 890
Total		\$11,715

**FY 2022 – Personnel Services Bureau**

Associate Research/Data Analyst	20 hrs. @ \$19.09 per hr.	= \$382
Associate Research/Data Analyst	10 hrs. @ \$19.09 per hr.	= \$191
Total		\$573

Total Costs		\$12,288
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The Department anticipates being able to absorb this administrative impact. If multiple bills are passed that require Department resources, funding may be requested through the appropriations process.

**Cost Savings (based on FY 20 volumes)**

Envelopes	16,416 x @\$0.07	=\$ 1,149
Postage	16,416 x @\$0.80	=\$13,133
Motor Voter Card Stock	213,600 x @\$0.045	=\$ 9,612
<b>Total Cost Savings FY2022 and subsequent years</b>		<b>=\$23,894</b>

Due to the set up for secure file transfers to each election authority and the timeframe to transmit these secure files the Department suggests the sponsor consider a delayed implementation of January 1, 2022 or later.

**Revenue Impact**

Currently persons who hold an acceptable identification for voting are not allowed the no cost nondriver for voting since they cannot complete the required affidavit statement. The removal of this limitation may allow persons who already have a valid driver license or other eligible document to apply for the no cost nondriver for voting. The Department reflects an office denial count for one office YTD in 2020, of 1,025 persons. This amount is significantly higher than normal, with the same office only showing 3 denials in CY 2019 for free nondriver license transaction due to the applicant already having a valid driver license or other eligible document on file. Statewide, this would calculate to an estimated 546 denials. For the purpose of this fiscal note, the Department will use CY 2019 to calculate the impact.

The estimated loss of revenue below reflects the office transaction fee and office processing fee since currently the offices are reimbursed for processing fees related to no fee nondriver for voting transactions not collected at the time of issuance.

NDL Transaction Fee = \$6.00 x 546=	\$ 3,276
Office Processing Fee = \$12.00 x 546=	<u>\$ 6,552</u>
<b>Total Loss of State General Revenue FY 23, FY 24 and on-going</b>	<b>\$ 9,828</b>

Vendor per card cost including postage for NDL \$2.4018 x 546 = \$1,311 annually FY 23, 24 and on-going.

**This impact could potentially increase on election years when more citizens will utilize the provisions.**

**Oversight** assumes that the DOR will be able to accomplish the work with existing resources; however, if multiple bills pass, the cumulative impact may require additional FTE. Oversight will reflect the cost savings as indicated by the Department.

**Oversight** notes that IT costs for §§115.151.3, 115.160.3, and 115.160.5 according to **DOR** are contracted at \$95 per hour. This proposal would result in \$175,036 (1,842.48 hours x \$95) in FY 2022 with on-going support of \$35,882 in FY 2023 and \$36,779 in FY 2024.

**Oversight** notes that IT costs for §115.427.2(1) according to **DOR** are contracted at \$95 per hour. This section would result in \$2,873 (30.24 hours x \$95) in FY 2022.

**Oversight** notes that there may be a potential increase in loss of revenue during an election year when more citizens will utilize the provisions. According to **DOR**, the denial count for 1 out 182 offices was 1,025 persons YTD in 2020 (Presidential Election Year). The loss of revenue is reflected below for that office:

NDL Transaction Fee = \$6.00 x 1,025=	\$ 6,150
Office Processing Fee = \$12.00 x 1,025=	<u>\$12,300</u>
<b>Total Loss of State General Revenue FY 23, FY 24 and on-going</b>	<b>\$18,450</b>

Assuming that all 182 offices had the same denial counts, the total loss of revenue would be \$3,357,900 (18,450 x 182). **DOR** noted that this amount is significantly higher than normal.

Vendor per card cost including postage for NDL \$2.4018 x 1,025 = \$2,461.85 annually FY 23, 24 and on-going.

**Oversight** assumes that Department of Revenue will be able to accomplish the requirements of §115.427.2(1) with existing resources; however, during presidential election years, the cumulative impact may require additional appropriations.

Officials from the **Office of the State Public Defender, Missouri Office of Prosecution Services, and Office of the State Courts Administrator** each assume the proposal will have no fiscal impact on their organizations. **Oversight** does not have any information to the contrary. Therefore, **Oversight** will reflect a zero impact in the fiscal note.

Officials from the **St. Louis County Board of Elections** assume the proposal will have no fiscal impact on their organization.

**Oversight** notes that as the beginning of January 1, 2022, no electronic voting systems shall be used. The use of remaining direct-record electronic voting machines shall be phased out upon mechanical failure. **Oversight** assumes a savings to local election authorities for not replacing the current inventory with like machines and decreased maintenance and programming.

**Oversight** only reflects the responses that we have received from state agencies and political subdivisions; however, other local election authorities were requested to respond to this proposed legislation but did not. A general listing of political subdivisions included in our database is available upon request.



<u>FISCAL IMPACT –</u> <u>State Government</u>	FY 2022 (10 Mo.)	FY 2023	FY 2024
<b>GENERAL REVENUE FUND</b>			
<u>Savings</u> – DOR §115.160 Envelopes, postage, and card stock p. 7	\$23,894	\$23,894	\$23,894
<u>Savings</u> - SOS - §115.123.2 reimbursement of local election authority election costs for PPP p. 3	\$0	\$0	More than \$7,000,000
<u>Cost</u> – DOR §§115.160 and §115.427.2(1) IT Cost and Maintenance p. 8	<u>(\$177,909)</u>	<u>(\$35,882)</u>	<u>(\$36,779)</u>
<u>Cost</u> – SOS §115.225.5 Voting Equipment p. 3	Could exceed <u>(\$1,650,000)</u>	<u>\$0</u>	<u>\$0</u>
<b>ESTIMATED NET EFFECT ON GENERAL REVENUE FUND</b>	<b>Could exceed (\$1,804,015)</b>	<b>(\$11,988)</b>	<b>More than <u>\$6,987,115</u></b>

<u>FISCAL IMPACT – Local Government</u>	FY 2022 (10 Mo.)	FY 2023	FY 2024
<b>LOCAL POLITICAL SUBDIVISIONS</b>			
<u>Savings</u> - §115.225.5 not replacing the DRE machines and decrease maintenance expense	\$0 or Unknown	\$0 or Unknown	\$0 or Unknown
<u>Savings</u> - §115.123.2 Local Election Authorities - cost of a PPP election	\$0	\$0	\$0 or More than \$7,000,000
<u>Loss of Revenue</u> - §115.123.2 Local Election Authorities - reimbursement of election costs for PPP	\$0	\$0	\$0 or (More than \$7,000,000)
<b>ESTIMATED NET EFFECT ON LOCAL POLITICAL SUBDIVISIONS</b>	<b><u>\$0 or Unknown</u></b>	<b><u>\$0 or Unknown</u></b>	<b><u>\$0 or Unknown</u></b>

FISCAL IMPACT – Small Business

No direct fiscal impact to small businesses would be expected as a result of this proposal.

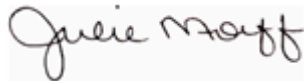
FISCAL DESCRIPTION

This legislation modifies several provisions relating to elections.

This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

SOURCES OF INFORMATION

Office of the Secretary of State  
Department of Revenue  
Department of Corrections  
Office of the State Public Defender  
Missouri Office of Prosecution Services  
Office of the State Courts Administrator  
St. Louis County Board of Elections



Julie Morff  
Director  
March 8, 2021



Ross Strobe  
Assistant Director  
March 8, 2021