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FISCAL IMPACT REPORT

ORIGINAL DATE 02/15/10

SPONSOR HAFC LAST UPDATED _____ HB 198/HAFC

SHORT TITLE Voting System Maintenance and Storage SB _____

ANALYST Ortiz

APPROPRIATION (dollars in thousands)

| Appropriation | | Recurring or Non-Rec | Fund Affected |
|---------------|------------------|-------------------------|------------------|
| FY10 | FY11 | | |
| | No Appropriation | | |

(Parenthesis () Indicate Expenditure Decreases)

SOURCES OF INFORMATION

LFC Files

Responses Received From

Secretary of State (SOS)

NM County Clerks Association

SUMMARY

Synopsis of HAFC Substitute

The House Appropriations and Finance Committee substitute for House Bill 198 requires the Secretary of State to maintain records of voting systems and components of voting systems purchased in 2006.

FISCAL IMPLICATIONS

The annual maintenance costs for the voting systems are estimated at \$350 thousand, annually. Although not necessarily required annually, there are potential future year costs for all hardware, software, firmware upgrades, which could reach another \$250 thousand per year.

SIGNIFICANT ISSUES

According to the Secretary of State, "The committee substitute will satisfy the final finding in the Federal HAVA Audit for New Mexico."

The ownership of the voting machines purchased in 2006 would remain undetermined.

OTHER SUBSTANTIVE ISSUES

Below summary taken from the Final Audit Report on the Administration of Help America Vote Act Funds by the New Mexico Secretary of State (Assignment No. E-HP-NM-01-07):

This report presents the results of the subject audit. The objectives of the audit were to determine whether New Mexico (1) expended Help America Vote Act (HAVA) payments in accordance with HAVA and related administrative requirements and (2) complied with the HAVA requirements for replacing punch card or lever voting machines, for appropriating a five percent match for requirements payments, for establishing an election fund, and for maintaining state expenditures for elections at a level not less than expended in fiscal year 2000.

The report identified the following issues needing management attention:

- The Office of the Secretary of State paid a contractor \$6,271,810 to create a public education campaign on voting matters. Because of uncertainty over the basis for paying the contractor, the lack of contractor support for all costs billed, and the payment for services billed but not performed, we questioned all contract payments.
- The Office of the Secretary of State used HAVA Section 101 funds of \$36,540 to pay for costs that were incurred prior to the period for which funds were available.
- Equipment purchased with HAVA funds was not adequately accounted for.
- New Mexico did not meet its five percent matching requirement of \$751,568 to qualify for HAVA Section 251 funds of \$14,279,790.
- Interest of \$147,799 earned on HAVA funds was not deposited timely into the state election fund.
- Program income realized from the use of equipment purchased with HAVA funds was not properly accounted for by the Office of the Secretary of State and county election offices.

WHAT WILL BE THE CONSEQUENCES OF NOT ENACTING THIS BILL

Without this legislation the SOS points out the following:

- The Federal HAVA Audit shall remain unsatisfied.

EO/mt