Department of Elections Proposed Budget: Fiscal Year 2016–17 and Fiscal Year 2017–18

1. **Introduction**

The Department of Elections (Department) conducts all public federal, state, district, and municipal elections in the City and County in a manner that is free, fair, and functional.

The Department is responsible for conducting elections under the rules and regulations established by federal, state, and local laws – notably, the Voting Rights Act, the Help America Vote Act, the Americans with Disabilities Act, and the City’s Language Access Ordinance; maintaining an open process that inspires public confidence in the election system; providing and improving upon a public outreach and education plan to engage eligible potential voters in San Francisco; and continuing to improve its services by streamlining processes and anticipating the future needs of San Francisco voters.

Following is an overview of the Department’s proposed budget for FY 2016-17 and FY 2017-18. The overview is intended to facilitate the review of the enclosed budget packet required for this year's budget submission. Although the budget packet contains nearly 20 forms, only Forms 2B, 3A, 3C, 7A, 7B, and Prop J are applicable to the Department’s budget submission and are explained in this document.

1. **Budget Instructions**

The Department’s budget process follows the City’s budget cycle, which is initiated in December, when the Mayor’s Office and the Controller’s Office issue budget forms and instructions to all City departments. Pursuant to these instructions, the Department must submit its budget request to the Mayor’s Office and the Controller’s Office by February 22, 2016.

The Controller’s office reviews and consolidates the departments' proposed budgets and turns the proposals over to the Mayor's Office of Public Policy and Finance. From March through June, the Mayor’s Office analyzes and refines the departments’ budgets. The Mayor presents the budget proposal for Enterprise departments on May 1 and for all other City departments, including the Department of Elections, on June 1. After the Board of Supervisors Budget and Finance Committee holds public hearings and makes recommendations on the departmental budget proposals, the entire budget is heard, voted on, and approved by the full Board by August 1. Finally, the budget returns to the Mayor for final approval and passage. Once the Annual Appropriation Ordinance–the document that is the legal authority for the City to spend funds during the fiscal year–is adopted, the departments are responsible for executing their budgets.

* 1. **Transition to a Fixed Two-Year Budget**

In December 2015, the Mayor introduced legislation transitioning 38 General Fund departments, including the Department of Elections, to a fixed two-year budget cycle starting with FY 2016-17 and FY 2017-18. As of the submission date of this document, the legislation is under consideration by the Board of Supervisors.

Under this legislation, the budgets of affected departments will remain fixed, or closed to any adjustments, over the two-year budget period. In the event of substantial variations in expected revenues or expenditures, the departments may propose amendments to their budgets during the second year of the budgetary cycle. Budget amounts determined for FY 2016-17 and FY 2017-18 in this budget cycle may also be amended with supplemental appropriation requests.

1. **Operating Budget Overview**

The Department’s proposed FY 2016-17 and FY 2017-18 budget contemplates the necessary funding for fixed operating expenses as well as funding to carry out services and programs associated with the two elections scheduled during the period encompassed by the budget: the November 2016 Consolidated General Election and the June 2018 Consolidated Statewide Direct Primary Election.

Among **fixed operating costs** that are not associated with a specific election are costs related to salaries and fringe benefits of permanent staff, space or equipment rental, warehouse lease and other contractual obligations, office expenses, vehicle fleet and equipment maintenance, etc.

The Department’s fixed operating costs contemplate increased rental rates associated with the Department’s leasing Pier 31 for its warehouse operations beginning January 2017. Although the Memorandum of Understanding (MOU) between the Port and Elections for the leasing of Pier 31 is yet to be executed, the rental rate for Pier 31 was provided by the Port at the onset of this budget cycle.

The Department’s current rate at Pier 48, under holdover terms of the current MOU between the Port and Elections, is $.92/sq ft. The Department occupies 86,954 sq ft at Pier 48, resulting in annual expenditure of $956,520.

At Pier 31, with 70,241 sq ft being available to the Department at $1.25/sq ft, an annual expenditure will mount to $1,053,612 beginning January 2017 through December 2017, and $542,610 January 2018 through June 2018.

Previously, a one-time expenditure of $2,500,000 was appropriated into a continuing project fund to allow for the Department’s expenditures related with the relocation of the warehouse to a new facility; thus the proposed budget does not seek any additional funding associated with this capital project.

Another increase in fixed operating expenses is a result of increased annual maintenance and license fees and fees associated with election services provided by the Dominion Voting Dominion Voting Systems, Inc. (Dominion). The City extended the voting system contract with Dominion for the current system twice, for a total of five years, without any increase in service costs.  The last extension for a total of three years took place in December 2013, and accordingly, the contract will expire in December 2016. Dominion has indicated that the company is amenable to another contract extension under a revised pricing structure.

Under the current contract executed in 2007, the expenses associated with the voting system include $386,300 for annual maintenance and license fees and $497,400 for election services. Although no contract extension has been negotiated, the vendor has still provided an initial pricing structure for a possible extension starting in 2017. These initial costs are $482,875 for annual maintenance and license fees and $662,004 election services.

Additionally, The Department’s budget proposal contains $2,300,000 in FY 2016-17 to fund a Planning and Assessment Phase and Implementation Phase of the Open Source Voting System project as described in the Elections Commission's November 2015 resolution.[[1]](#footnote-1) The key objectives of the Planning and Assessment Phase and the Implementation Phase include:

* Form citizen advisory body
* Develop voting system requirements, high level design, and architecture.
* Develop project plans, timelines, and cost estimates for the Implementation Phase
* Identify possible project collaborators, including possible partner jurisdictions, nonprofits, companies, and other organizations
* Identify any additional sources of funding
* Issue RFPs
* Award contract
* COIT review

The budgeted **election-related expenses** include ballot production and printing, assembly and mailing of vote-by-mail ballots, production and mailing of the Voter Information Pamphlet, publication of legal notices, polling place rental and supplies, poll worker stipends, drayage of equipment and supplies, seasonal employee salaries, and other miscellaneous expenses. These expenses were calculated for each fiscal year based on an analysis of several factors that include:

* The number and type of scheduled elections—general, primary, local, with consolidated or non-consolidated precincts;
* An analysis of voter turnout data from similar prior elections, as well as the total number of registered poll and vote-by-mail voters by language preference prior to the date of the scheduled election;
* An analysis of expected ballot content—the offices appearing on the ballot, length of ballot, number of ballot types or styles— and Voter Information Pamphlet content—candidate statements, ballot measures and arguments, page count, number of printed copies for each mandated language.

Additionally, when formulating its budget proposal, the Department considered the financial impact of several state regulatory changes, including those resulting from passage of AB 1461 and AB 1436:

* Under AB 1461, the California Secretary of State and the Department of Motor Vehicles are required to establish the California New Motor Voter Program. After the Secretary of State adopts regulations to implement this program, the Department of Motor Vehicles (DMV) will be required to electronically provide to the Secretary of State the records of each person who is issued an original or renewal of a driver’s license or state identification card or who provides the DMV with a change of address. The person’s motor vehicle records would constitute a completed affidavit of registration and the person would be registered to vote, unless the person affirmatively declined to be registered to vote during a DMV transaction, the person attests that he or she does not meet all voter eligibility requirements, or the Secretary of State determines that the person is ineligible to vote.

The rollout of the program will likely result in additional costs attributed to serving new registrants.[[2]](#footnote-2) Accordingly, the expenses contemplated in the budget include printing, assembly, and mailing of additional ballots and Voter Information Pamphlets and additional staffing resources to conduct outreach, provide in-language assistance to voters with limited English proficiency, and process and count voted ballots.

* AB 1436 was signed in 2012, establishing conditional voter registration and giving Californians the right to register to vote after the 15th day prior to an election or on Election Day and to vote a provisional ballot at the office of the county elections officials, to be counted if the registration is deemed effective.

The provisions of AB 1436 went into statute on January 1, 2014, promulgating that the law would take effect on January 1 of the year following the year in which VoteCal, the State’s federally mandated statewide voter database, is fully implemented by the Secretary of State. It is anticipated that VoteCal will become fully operative in 2016; thus the June 2018 election will be the first election for which the Department will administer conditional registration and voting. The expenses associated with implementation of this law were contemplated in the Department’s budget proposal and include additional outreach resources, development and production of voter materials, procurement of additional ballots and provisional envelopes, and processing a higher number of cast ballots.

The Department’s projected expenses will be partially offset by its projected revenue, decreasing the General Fund contribution to the Department. During each election cycle, the Department generates revenue primarily through candidate filing and statement fees and ballot argument fees. In even-numbered years, when the San Francisco Unified School District, the Community College District, and BART consolidate their elections with the November general elections, the Department realizes additional revenue from these districts for administering their elections. Therefore, the Department’s revenue will fluctuate from FY 2016-17 to FY 2017-18, with a decline in election revenue in FY 2017-18.

**Figure 1: Snapshot of the Department’s proposed operating budget**

|  |  |  |
| --- | --- | --- |
|  | **FY 2016-17** | **FY 2017-18** |
| **Total Expenditures** | $16,761,269 | $14,735,854 |
| **Total Revenue & Recovery** | ($752,689) | ($45,159) |
| **Total General Fund Support** | **$16,008,580** | **$14,690,695** |

* 1. **Budget Reductions**

The Mayor’s Budget Office projected a $99.8 million General Fund shortfall for FY 2016-17, and a $240.2 million shortfall for FY 2017-18, based on City’s current operations, staffing levels, and estimated revenue. In light of these shortfalls, the Mayor’s Office instructed City departments to propose a 1.5% reduction in their budgets for FY 2016 -17, as well as an additional 1.5% reduction for FY 2017-18. For the Department, the proposed reductions amount to $197,830 and $395,660, respectively.

In light of additional expenses associated with the new mandated services and programs described above, and in order to preserve the Department’s core functions and minimize service impacts, the Department intends to request that the proposed reductions be waived.

1. **Budget Forms**
   1. **Form 2B: Revenue and Recovery**

The Department’s projected revenue for FY 2016-17 and FY 2017-18, accompanied by fee descriptions, amounts, and authorizing code citations, are presented on Form 2B of the enclosed budget packet. According to the budget instructions, the form also includes revenue previously budgeted for FY 2015-16 as well as the Department’s FY 2014-15 year-end revenue projections.

According to the Controller’s Office guidance, the budgeted recovery to be realized from reimbursement for costs that the Department will incur for conducting the Retirement Board Election in FY 2016-17 is noted on Form 3A (Character 86, Subobject 086RS). Also, the Department was informed by the Office of Economic and Workforce Development of several Community Benefit District elections that are being planned. The schedule and scope of the elections are to be determined; therefore, the recovery associated with the Department’s conducting CBD elections is not reflected in the current budget submission.

**Figure 2: Total Projected Revenue by Main Sources**

* 1. **Form 3A: Expenditures**

The Department’s projected expenditures for FY 2016-17 and FY 2017-18, accompanied by the explanation of each projected increase or decrease in each budget year compared to the base budget— funds provided to the Department at the onset of each budget period, derived from the previous year’s adopted budget— are presented on Form 3A of the enclosed budget packet.

Expenditures in the Department’s Operating Budget fall into six major categories: Salaries and Benefits, Contracts and Other Services, Rents and Leases, Materials and Supplies, Production and Mailing of Election Materials, and Services from City Departments (work orders).

**Figure 3: Total Projected Expenditures by Category**

Salaries and Benefits (001-019), Contracts and Other Services (021-029), Rents and Leases (030-052 excluding 035)), Materials and Supplies (042-064), Production and Mailing of Election Materials (035), and Services from City Departments (work orders).

The projected expenditures listed on the form are presented in accordance with the City’s Object Classification Structure provided in the Chart of Accounts. As such, they are organized into character and object codes, which indicate what type of expenditure is included. The following is a subset of Expenditures and Work Order Object Codes present in the Department’s budget, accompanied by descriptions of programs/goods/services funded in each Object.

**Permanent Salaries (Object 001)**

This object includes funding allocated to salaries of existing permanent positions authorized under the Annual Salary Ordinance.

**Temporary Salaries (Object 005)**

This object includes funding allocated to salaries associated with seasonal as-needed positions. Every election, the Department fills as-needed positions with seasonal personnel for periods ranging from one day to four months, to meet multiple statutory deadlines imposed by federal, state, and municipal laws, as well as various vendors' production schedules.

**Premium Pay (Object 009)**

This object includes funding allocated to compensation of employees who provide bilingual services to the Department’s customers.

**Overtime Pay and Holiday Pay (Object 011–012)**

These objects include the Department’s projections for the overtime and work on legal holidays that will likely be required from permanent and temporary staff to meet deadlines for the two scheduled elections.

**Retirement, Social Security, Health Service, Dental Coverage, Unemployment Insurance, Other Fringe Benefits (Objects 013–019)**

These objects include costs of mandatory fringe benefits based on the position detail and amounts in salary objects, which are calculated automatically by the budget system.

**Travel, Training, Employee Expenses and Fees – (Objects 021–026)**

The Department’s projections in these objects include costs associated with staff attendance of workshops and seminars for educational purposes; staff reimbursement for field expenses; and membership fees in the California Association of Clerks and Election Officials (CACEO). The projections also include permit fees for portable toilets at polling places and for parking during the week leading up to and including Election Day.

**Professional and Specialized Services – (Object 027)**

The Department’s projections in this object include fees for annual maintenance, licenses, and election-related services and support for the Election Information Management System (EIMS) database, the City’s voting system, and the Agilis ballot sorting system. The projections also include costs associated with services required to facilitate voting for approximately 450,000 San Francisco registrants in each election, such as:

* translation, transliteration, and review related to production of the official ballot in four languages and facsimile ballots in three additional languages;
* production and assembly of over 240,000 vote-by-mail packets; under Prop J;
* typesetting, translation, printing, and assembly of approximately 440,000 copies of the Voter Information Pamphlet and Sample Ballot, produced in four languages and several alternative formats (large print, audio, HTML and XML formats);
* stipends for over 2,500 poll workers who administer voting at the polls;
* staffing agency fees for personnel who assist with the receipt of ballots at the Processing Center on election night; and
* costs of contracting with LanguageLine Solutions, which allows year-round access to over-the-phone interpretation of over 200 languages to assist voters.

**Maintenance Services – Buildings and Structures; Equipment – (Object 028–029)**

The Department’s projections in these objects include expenses associated with the shredding and recycling of ballots and other election-related materials as required by state law, monthly trash disposal at the Department’s warehouse, and annual inspection of fire extinguishers.

**Rents and Leases – Buildings and Structures – (Object 030)**

The Department’s projections in this object include fees associated with space rental for outreach events; contracting more than 550 facilities to house polling places; parking to accommodate over 200 rental vehicles used on Election Day; classroom rental for poll worker training; warehouse rental, and rental of alternative space during election week if parking around the Pier 48 warehouse becomes unavailable.[[3]](#footnote-3)

**Rents and Leases – Equipment – (Object 031)**

The Department’s projections in this object include rental fees associated with forklifts and pallet jacks for staging equipment and supplies prior to delivery to polling places; rental of over 200 vehicles, from small cars to box trucks, to transport voting machines and ballots; and rental fees for portable toilets provided at polling places on Election Day.

**Other Current Expenses – (Object 035)**

This object includes expenses primarily associated with printing of election materials, such as the official ballots; poll worker training materials; voter educational materials; posters to advertise election information in or on Muni busses, BART stations, and newspapers; various envelopes to preserve secrecy of the ballots; polling place signage; and rosters of voters. This object also includes funding for mailing of approximately 240,000 vote-by-mail packets and 440,000 Voter Information Pamphlets in every election cycle, mailing of mandated voter notices, and funding to allow voters to return their vote-by-mail ballots free of charge. Additionally, the projections in this object include funding for publication of legal notices, software licensing fees, and server support.

**Taxes; Licenses and Permits – (Object 052)**

The Department’s projections in this object include annual fees associated with the USPS permits that are maintained to facilitate mailing and receipt of vote-by-mail ballots and other election materials.

**Building and Construction Supplies, Safety, Food, and Other Materials and Supplies – (Objects 042–043, 045–046, 049)**

The Department’s projections in these objects include costs associated with polling place, office, IT, and hardware supplies. The requested funding reflects the anticipated need to replace or replenish supplies, such as ballot test decks needed for Logic & Accuracy testing; boxes for post-election ballot storage; shrink wrap used to secure ballots during the retention period; threshold mats and ramps used to achieve polling place accessibility; power strips and adapters for voting equipment; voting booth repairs; tamper-evident security seals for voting equipment; ballot pens; “I Voted” stickers and required poll worker name badges; and office paper.

The projections also include expenses associated with the purchase of warehouse staff uniforms and hosting of various meetings such as the Ballot Simplification Committee, the Poll Worker Network, the Voter Information Network, and Voting Accessibility Advisory Committee meetings.

**Equipment Purchase – (Object 060)**

The Department does not plan to purchase any new equipment.

**Equipment Lease/Purchase – (Object 064)**

Costs budgeted under this object are determined by the Controller’s Office and are associated with lease-purchase obligations through the Finance Corporation.

**Work Order Requests with City Departments – (Subobjects 081C5– 081WB)**

The projections in these subobjects include expenses associated with 18 work orders that the Department maintains with other City departments. The work orders take two forms: citywide work orders that are centrally loaded by the Mayor’s Office and service work orders specific to the Department.

Among centrally loaded work orders are pass-through charges that the Department of Technology incurs on behalf of the Department; Public Utilities Commission's costs for light, heat, and power; General Services Agency’s costs associated with maintaining the City’s Risk Management Program; costs associated with the City’s 311 customer service call center under the General Services Agency; costs incurred by Central Shops for maintaining the Department’s fleet; etc.

The work orders that involve election-related services and therefore fluctuate depending on the number of scheduled elections include the Reproduction and Mail Services Division’s costs for printing and reproduction of election materials and mailers; costs associated with ballot security and collection services provided by the Sherriff’s Department; costs incurred by the Department of Parking and Traffic during election night collection of memory packs and results cartridges; costs of the services provided by SFGTV related to outreach video production; etc.

When budgeting for work order services, the Department consults with performing departments to ensure the costs of their services are estimated accurately. Prior to final submission of the budget, the Department intends to have all work orders balanced and agreed to by both the Department of Elections and the performing departments.

* 1. **Form 3C: Position Changes**

The Department does not propose changes to the number of budgeted positions but requests several substitutions, some of which have already been approved by Human Resources during the current fiscal year. The net increase resulting from proposed substitutions is deflated by the savings in salaries that will not be expended due to normal departmental attrition.

* 1. **Form 7 A. Major Contract Changes (non-ICT) and Form 7B: Changes for Enterprise IT and Telecom Contracts for Procurements and Services**

As per budget instructions, these forms provide information about all contracts assumed in the Department’s budget.

* 1. **Prop J**

The Department seeks approval to contract out the services associated with the assembly and mailing of over 240,000 vote-by-mail ballot packets in the June 2018 Consolidated Statewide Direct Primary Election. The comparative analysis of costs for contracting out the services versus performing the same services with City resources is presented on Form Prop J of the enclosed budget packet. [[4]](#footnote-4)

Last year, the Department received Prop J approval for contracting out vote-by-mail ballot services for the November 2016 Election; therefore, this information is not present in the current budget submission.

1. **Conclusion**

The Department continuously strives to maximize the reach and effectiveness of its resources and services and to improve election access and transparency. While the Department continues to pursue its own cost efficiencies and exercise responsible budgeting and fiscal discipline, consistent General Fund support remains a crucial part of its core budget. The Department believes that the proposed FY 2016-17 and FY 2017-18 budget provides the resources needed to support the Department’s priorities and goals set for the next two fiscal years.

1. <http://sfgov.org/electionscommission/motions-and-resolutions> [↑](#footnote-ref-1)
2. 2015 State of the Region report, <http://reports.abag.ca.gov/sotr/2015/section3-changing-population.php>, estimates that 8,000 people move annually to San Francisco from out of state. [↑](#footnote-ref-2)
3. For the November 2014 election, the Department rented an alternative space for five days for the staging of nearly 200 vehicles intended for use by Deputy Sheriffs to retrieve ballots and voting materials from voting sites after the close of the polls. This unexpected need for space resulted from the Giants advancing to the World Series, which hindered the Department’s plans to use parking lots around Pier 48. [↑](#footnote-ref-3)
4. The City Charter requires that all needed services be performed by Civil Services employees instead of being outsourced to contractors, unless an exception can be justified. “Prop J,” which takes its name from Proposition J, passed by voters in November 1976, authorizes outside contracting of services whenever the service can be performed by a private contractor at a cost lower than the same service performed by City employees. City departments must submit contracting out information to the Controller’s Office. The Controller’s determination is submitted to the Board of Supervisors for review and approval along with adoption of the Annual Appropriation Ordinance. The Department has contracted out the assembly and preparation of vote-by-mail ballot packets under Prop J since FY 2007-08. [↑](#footnote-ref-4)