



## Legislative Fiscal Bureau

One East Main, Suite 301 • Madison, WI 53703 • (608) 266-3847 • Fax: (608) 267-6873

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TO: Members  
Joint Committee on Finance

FROM: Bob Lang, Director

SUBJECT: Elections Board: Section 13.10 Request for the Release of Reserved Funds to Convert the Campaign Finance Information System--Agenda Item II

### REQUEST

The Elections Board, on behalf of the Government Accountability Board (GAB), requests the release of \$450,000 GPR annually from the Joint Committee on Finance s. 20.865(4)(a) supplemental appropriation to GAB's s. 20.511(1)(a) general program operations appropriation to permit GAB to retain a vendor and project manager to convert the campaign finance information system. The funding would also permit GAB to pay the Department of Administration's Division of Enterprise Technology (DET) for hosting charges associated with the system. The Elections Board requests that the funding be released from identical amounts already reserved for this purpose in the Joint Committee on Finance supplemental appropriation.

### BACKGROUND

The State of Wisconsin Elections Board Computer System (SWEBIS) was originally created in 1987 and is still being utilized by the Elections Board to carry out its election administration and campaign finance responsibilities. [The election administration functions are being carried out under a partial conversion of the original SWEBIS system.] The Elections Board's GPR-funded general program operations appropriation supports the ongoing operation of the current system.

On October 29, 2002, the federal Help America Vote Act (HAVA) was signed into law. HAVA establishes a series of new mandates applicable to the states, including the creation of an official, centralized, computerized statewide voter registration list system. In the fall of 2004, the Elections Board began work on a statewide voter registration system, incorporating system features required under federal law, as well as developing functionality to permit state election

administration functions to be transferred from SWEBIS to the new Statewide Voter Registration System (SVRS). The Department of Administration's Division of Enterprise Technology hosts the SVRS on DET computer hardware. The SVRS has been developed utilizing federal HAVA and associated state match funding.

To date, election administration functions remain on SWEBIS. It is not known at this time when these functions might be transferred to SVRS, as the Elections Board and Accenture (the developer of the SVRS) are in a contract dispute as to whether Accenture has fully performed under the contract with the state.

The SWEBIS system continues to be utilized by the Board to carry out both its election administration and campaign finance responsibilities. During the 1997-99 and 1999-01 biennia, the Elections Board was provided approximately \$520,000 GPR for a database conversion project intended to: (a) convert the SWEBIS databases used to administer election activities and campaign finance reports; and (b) enhance SWEBIS to allow the electronic filing and retrieval of campaign finance report information over the Internet. Despite this previous funding commitment, the Board continues to utilize the SWEBIS campaign finance database which dates back to 1987.

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

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

In December, 2000, the Joint Committee on Finance provided the Board with additional funding to retain an IT consultant to develop and finalize business system requirements for the project and to oversee the selection of a vendor. Prior to entering into a vendor contract, the Board was directed to submit a report to the Committee detailing the consultant's findings, including cost estimates for the development and maintenance of the project.

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

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

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

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

Small state agencies typically lack the IT and procurement expertise of the Department of Administration (DOA). The relative lack of IT expertise at the Board has been a factor in the earlier difficulties that the Board experienced with this database conversion project. As a result, when the Legislature approved funding for the project during 2005-07, the Legislature also directed DOA to: (a) assist the Board in the vendor selection process for the computer database conversion project; and (b) designate a staff person in DET to provide quality assurance of any development work completed on the campaign finance database.

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

In August, 2006, the Elections Board submitted a request for purchasing authority to DOA's Bureau of Procurement to permit the conversion project to proceed. From August, 2006, through April, 2007, the Board worked with staff from DOA's Bureau of Procurement and DET to finalize a request for purchasing authority to permit the project to proceed.

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

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

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

On May 3, 2007, the Elections Board submitted its request for proposal (RFP) for its campaign finance information system. The RFP did not contain mandatory requirements that had to be satisfied in order for a vendor to submit a proposal. Vendor RFPs were due to the Elections Board on June 12, 2007. The Elections Board received two qualifying RFPs, one from Quest and one from PCC Technology Group, LLC. On September 12, 2007, the Elections Board issued a notice of intent to award a contract to PCC Technology Group, LLC.

Under the contemplated conversion of the campaign finance information system with PCC Technology Group, LLC, the system will continue to permit the Elections Board/GAB to: (a) track candidates and candidate committees, political committees, conduits, and corporations and associations that are required to register with the Board under the state's campaign finance laws; (b) enter lawfully required data from registrant campaign finance reports, including information on contributions, disbursements, loans, in-kind contributions, contributions returned to contributors,

and contributions donated to charity or the Common School Fund; (c) audit campaign finance reports to ensure that state campaign finance laws are being adhered to; and (d) produce reports. The campaign finance information system with PCC Technology Group, LLC, would now eliminate the need for state employees to enter in all data that is contained within the system. Instead, the data from electronically filed reports would now be uploaded into the new campaign finance system after GAB staff had reviewed and accepted the report. In addition, the envisioned system with PCC Technology Group, LLC would now provide the public with a searchable database of campaign finance data.

Under 2007 Wisconsin Act 20 (the 2007-09 biennial budget act), \$450,000 GPR annually was reserved under the Joint Committee on Finance GPR supplemental appropriation for possible future release to the Elections Board or GAB for conversion of the campaign finance information system. As the JFC GPR supplemental appropriation is a biennial appropriation, the entire \$900,000 GPR in biennial funding for this purpose is potentially available to be released in 2007-08. Act 20 also requires DOA to: (a) assist the Elections Board or GAB in the selection of a vendor to complete the Board's campaign finance database conversion project; and (b) designate a staff person to provide the Elections Board or GAB quality assurance for information technology development work completed in connection with the creation of the Board's campaign finance information system.

The provisions of 2007 Wisconsin Act 1 consolidated the Elections Board and the Ethics Board as a new Government Accountability Board. Under Act 1, the Elections and Ethics Boards cease to exist on the later of either: (a) September 1, 2007; or (b) the 31<sup>st</sup> day beginning after the date on which GAB has given final approval to the hiring of individuals to initially fill the positions of Legal Counsel to the Board, Administrator of the Ethics and Accountability Division of GAB, and Administrator of the Elections Division of GAB. It is currently anticipated that the Elections and Ethics Boards will cease to exist on January 10, 2008. The Elections Board filed the current s. 13.10 request before the Committee on behalf of GAB.

## **ANALYSIS**

DOA's Bureau of Procurement approved the Elections Board's request for purchasing authority for the project and, as indicated above, on September 12, 2007, the Elections Board issued a notice of intent to award a contract to PCC Technology Group, LLC. Two vendors competed for the project. According to Elections Board staff, PCC Technology Group was chosen as: (a) its five-year cost of ownership was \$400,000 less than that of Quest; (b) its system would require less additional programming to meet Board needs; (c) its system is a user configurable system (table values in the program can often be changed to reflect law changes, instead of requiring software re-programming); and (d) the selection committee was more impressed with PCC Technology staff, their best practices approach, and their willingness to contribute to identify solutions to modifying the software to meet Wisconsin needs.

Currently two states, Connecticut and New Hampshire, utilize the PCC software for their

campaign finance information systems. Connecticut has utilized the PCC system for approximately six years, while New Hampshire has utilized the PCC system for two years. Elections Board staff indicates that the PCC system has operated successfully in both states.

The Elections Board indicates that the total five year cost to develop and maintain the system with PCC Technology Group, LLC is \$1,794,000. Elections Board staff further indicates that the contract with PCC Technology Group, LLC would be a fixed-fee contract. In addition, 20% of the total development costs owed by the state will be retained by GAB under the contract until final acceptance of the new campaign finance system. Table 1 provides a five year breakdown of costs.

**TABLE 1**

**Five Year Development and Maintenance Costs Under Proposed Contract with PCC Technology Group, LLC**

<u>Service/Product</u>	<u>2007-08</u>	<u>2008-09</u>	<u>2009-10</u>	<u>2010-11</u>	<u>2011-12</u>
Software	\$360,200	\$180,100	\$0	\$0	\$0
Data Conversion	0	166,900	0	0	0
Customization	<u>0</u>	<u>108,200</u>	<u>0</u>	<u>0</u>	<u>0</u>
Subtotal	\$360,200	\$455,200	\$0	\$0	\$0
Implementation/Training	\$328,100	\$66,400	\$0	\$0	\$0
Software Maintenance	<u>0</u>	<u>0</u>	<u>147,800</u>	<u>212,100</u>	<u>224,200</u>
Total	\$688,300	\$521,600	\$147,800	\$212,100	\$224,200

In addition to the \$1,209,900 in development and training costs during 2007-09, the Elections Board has identified an estimated \$107,500 annually in project management costs during the current biennium. "The agency [Elections Board] is proposing to enlist the services of Dr. Kenneth M. Macur, CPA, a Professor of Accounting and Information Systems at Edgewood College. Dr. Macur has IT expertise and served as the project manager for the selection of the campaign finance information system project [vendor]. As a result of Dr. Macur's experience and background with the Board's campaign finance system, the Board views him as uniquely qualified to advance this project. Dr. Macur will coordinate Elections Board and DET staff expertise with vendor personnel to manage all phases of the implementation of the campaign finance information system."

Neither Dr. Macur nor his graduate student assistants would work on a fixed-fee basis. Rather Dr. Macur would be retained at the rate of \$85 per hour while his graduate student assistants would work at the rate of \$20 per hour as "business analysts." The project management staff would be retained as LTEs with the Elections Board/GAB. Project managers under the state's Information Technology Services Sourcing Contract may be retained at rates of up to \$85 per hour, while

business analyst 1 positions may be retained at rates of up to \$46 per hour. The estimate of \$215,000 in project management fees during 2007-09 assumes that Dr. Macur would provide approximately 1,700 hours of service, while his graduate students would provide approximately 2,700 hours of service.

While Dr. Macur would be retained at the highest rate for project managers under the Information Technology Services Sourcing Contract, Elections Board staff is confident that savings will be realized due to: (a) his experience with and knowledge of the state’s current campaign finance system; (b) his involvement in developing the business system requirements for the envisioned replacement system; and (c) his project management experience.

Under the Elections Board’s plan to develop the campaign finance system during 2007-09, as well as to pay project management costs and hosting costs at DET with the \$900,000 in available funding, the Board would seek to master lease the \$815,400 in software, data conversion and customization charges owed to PCC Technology Group, LLC. The master lease would allow the Board to spread costs out over a five-year term at an estimated 6% interest rate. Under the plan, only two master lease payments totaling \$110,800 would be owed during the biennium. These payments would be made in September of 2008, and March of 2009. The remaining 2007-09 costs to develop and host the system would be paid for with available balances.

Table 2 provides a breakdown of the proposed utilization of \$450,000 annually in funds to develop and host the system. Under the Elections Board’s plan for the project the remaining balances identified for both fiscal years would be utilized as prepayments against the master lease to reduce the remaining principal required to be paid back in future biennia.

**TABLE 2**

**Proposed Utilization of Project Funding During 2007-09**

<u>Description</u>	<u>Provider</u>	<u>2007-08</u>	<u>2008-09</u>
Implementation/Training	PCC	\$328,100	\$66,400
Project Management	Dr. Macur	107,500	107,500
Master Lease Payments		0	110,800
Hosting Charges	DET	<u>2,100</u>	<u>4,100</u>
Total Expenditures		\$437,700	\$288,800
Project Funding		\$450,000	\$450,000
Remaining Balances		\$12,300	\$161,200

In selecting PCC Technology Group, LLC, and its base campaign finance software package, the Elections Board has chosen a vendor and software package that appears to have been successful in both Connecticut and New Hampshire. In addition, in order to minimize the risks of the project,

the contract with PCC Technology Group, LLC would be a fixed-fee contract, and the Board would retain 20% of the funding owed for project development until final acceptance of the campaign finance system.

Under the Elections Board's plan, the state would retain project management that has experience with and knowledge of the Board's current campaign finance system, as well as an understanding of the business requirements for the envisioned replacement system. The project management, however, would be retained as LTEs on an hourly basis. If unanticipated development problems are encountered, it is the state's costs for project management that could rise as these costs are not limited under a fixed fee contract. Elections Board staff indicate, however, that if development goes well, project management costs could be less than that identified in this request.

The Committee could release the \$450,000 GPR annually currently held in the Joint Committee on Finance s. 20.865(4)(a) supplemental appropriation to GAB's s. 20.511(1)(a) general program operations appropriation to permit GAB to: (a) retain a vendor; (b) retain project management; (c) master lease \$815,400 in development costs associated with software, data conversion, and customization; (d) pay DET hosting charges for the new system; and (e) utilize \$173,500 in anticipated balances (\$12,300 in 2007-08 and \$161,200 in 2008-09) to reduce the principal owed on the master lease if unforeseen difficulties are not encountered in project development during 2007-09.

Alternatively, if unanticipated difficulties are encountered during project development, the state would likely incur additional charges in the area of project management. In order to maintain more oversight over the project, and to permit the Committee to more closely monitor project management as development proceeds, the Committee could consider retaining the identified available balances of \$173,500 (\$12,300 in 2007-08 and \$161,200 in 2008-09), as well as the second year of funding for project management (\$107,500 in 2008-09) in the Committee's supplemental appropriation. This alternative would provide: (a) all funding required for project development to proceed with PCC Technology Group, LLC; (b) the first year of funding for project management; and (c) all funding required for hosting at DET.

Under this latter alternative, the Board could return to the Committee under s. 13.10 at the end of 2007-08 to: (a) report on development progress; (b) report on anticipated project management costs during 2008-09, and provide a plan on how those costs would be managed; and (c) seek release of any available balances to pay down the principal on the master lease.

The Committee could also conclude that no additional funding should be provided at this time for the Board's campaign finance information system conversion. Under this alternative, \$450,000 GPR annually reserved for this system's conversion would remain in the Joint Committee on Finance supplemental appropriation. The Board's existing campaign finance reporting system may remain operational with its current level of functionality over the short-term; however, the system's long-term viability cannot be assured.



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

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

## **ALTERNATIVES**

1. Approve the Elections Board request, on behalf of the Government Accountability Board, to release \$900,000 GPR (\$450,000 annually) from the Joint Committee on Finance s. 20.865(4)(a) supplemental appropriation to the Government Accountability Board's s. 20.511(1)(a) general program operations appropriation to permit the Board to retain a vendor and project manager to convert the campaign finance information system. The funding would also permit the Board to pay the Department of Administration's Division of Enterprise Technology for hosting charges associated with the system.

2. Release \$437,700 GPR in 2007-08, and \$181,300 GPR in 2008-09, from the Joint Committee on Finance s. 20.865(4)(a) supplemental appropriation to the Government Accountability Board's s. 20.511(1)(a) general program operations appropriation to permit the Board to fund project development as well as to provide funding in 2007-08 for project management. The funding would also permit the Board to pay the Department of Administration's Division of Enterprise Technology for hosting charges associated with the system.

3. Deny the request.

Prepared by: Paul Onsager