

# FISCAL NOTE

## LEGISLATIVE FISCAL ANALYST ESTIMATE

### ESTIMATE OF FISCAL IMPACT – STATE AGENCIES (See narrative for political subdivision estimates)

	FY 2025-26		FY 2026-27	
	EXPENDITURES	REVENUE	EXPENDITURES	REVENUE
GENERAL FUNDS	\$975,850		\$7,200	
CASH FUNDS				
FEDERAL FUNDS				
OTHER FUNDS				
TOTAL FUNDS	\$975,850		\$7,200	

Any Fiscal Notes received from state agencies and political subdivisions are attached following the Legislative Fiscal Analyst Estimate.

LB 541 changes provisions related to elections.

Section 3 adds a definition for “Hand count” to the Election Act.

LB 541 requires voter applicants to present valid photographic identification.

Section 19 requires all official ballots prepared for elections conducted pursuant to the Election Act to have a covert watermark that identifies the ballot as an official Nebraska ballot.

Section 22 allows for early voting for certain identified reasons if such election is not conducted by mail.

Section 26 requires the back of the return envelope for early voters to provide a listing of reasons from which voters shall select which criteria allows early voting for that voter.

Section 27 requires drop-box locations to be examined at least thirty days prior to each election. Drop-boxes shall be under twenty-four-hour video surveillance. Recordings shall be retained for a period of twenty-two months.

Section 30 requires that a hand-count shall include only the actual paper ballots, physically marked by the actual voter. Hand counts shall also include verification of the covert watermark described in section 19 and a comparison and verification of the signature on the envelope with the signature on file with the election commissioner or county clerk for the voter.

Section 31 requires a voting or counting system to be approved by multiple parties. One such party is an independent information technology company that is qualified to assess such system and that is not associated with any political party or the vendor of the system.

Section 32 requires any election commissioner or county clerk using a vote counting device (counting ballots in a centralized location) to provide for a procedure to hand count at least twenty-five percent of the ballots at each election to verify vote tabulations by the device.

Section 36 is the outright repeal of sections 32-304, 32-309, and 32-320.01. Section 32-304 directs the Secretary of State, in conjunction with the Department of Motor Vehicles, to implement a registration application process which may be used statewide to register to vote and update voter registration records.

The Secretary of State estimates the total cost to implement the provisions of LB 541 to be \$975,850 in FY25-26 and \$7,200 annually, beginning in FY26-27.

**Hand Counting** – The costs of additional staffing for hand counting would fall to the counties. However, new rules and regulations would be required to establish different procedures and locations. The Secretary of State would likely contract for these procedures and training. The total estimate for this is \$50,000 and is a one-time expense.

**Ballot Return** – The restrictions and requirements regarding ballot returns and drop boxes will also require new rules and regulations. The Secretary of State would likely contract for these procedures and training. The total estimate for this is \$25,000 and is a one-time expense.

**Voter Registration** – LB 541 repeals online voter registration and requires presentation of a valid photo ID when registering. Submitting voter registration via mail or agent is also eliminated. To accommodate these provisions, voter registration forms would need to be modified, reprinted, and mailed to counties. The cost for this is estimated to be \$3,100.

**Ballot Watermark** – The watermark requirements in section 19 would result in a higher cost for ballot printing. This is estimated to be \$200,000 per year (election year). An additional cost would be \$30,000 to purchase blue lights to view UV Watermarks. The total estimate for this is \$230,000 as a one-time cost. Recurrence of the higher cost to print ballots would occur each election year thereafter.

**“No-Excuse” Early Voting** – New ballot envelopes would need to be printed to accommodate the reason for early voting (Section 26). The Secretary of State would provide the initial stock and counties would be responsible for ongoing restocking. The initial cost for new envelopes is estimated to be \$200,000. In addition, the Secretary of State estimates the need for additional precincts due to higher in person voting. This would mean additional ADA compliant machines for each precinct. The total for this portion of the fiscal note is \$385,000 in FY25-26 and \$7,200 (ongoing) per year beginning in FY26-27.

**Drop Box Surveillance** – The Secretary of State estimates the need for approximately 40 additional cameras and signage at a cost of \$45,250. The amount of storage needed to retain the recordings for 22 months is estimated to be \$187,500. The total for this portion of the fiscal note is \$232,750.

**Voting/Counting System Approval** – The Secretary of State estimates the cost to have an independent information technology company involved in the approval of the voting or counting system to be \$50,000.

Summary of estimates

	<u>FY25-26</u>	<u>FY26-27</u>
Hand Counting	\$50,000	
Ballot Return	\$25,000	
Voter Registration	\$3,100	
Ballot Watermark	\$230,000	
“No-Excuse” Early Voting	\$385,000	\$7,200
Drop Box Surveillance	\$232,750	
Voting/Counting System Approval	\$50,000	
<b>Total</b>	<b>\$975,850</b>	<b>\$7,200</b>

There is no basis to disagree with these estimates.

ADMINISTRATIVE SERVICES STATE BUDGET DIVISION: REVIEW OF AGENCY & POLT. SUB. RESPONSE			
LB: 541	AM:	AGENCY/POLT. SUB: Department of Motor Vehicles	
REVIEWED BY: Joe Massey		DATE: 1/28/2025	PHONE: (402) 471-4181
COMMENTS: Concur with the Department of Motor Vehicles assessment of no fiscal impact from LB 541.			

State Agency OR Political Subdivision Name: <sup>(2)</sup> Department of Motor Vehicles

Prepared by: <sup>(3)</sup> Bart Moore

Date Prepared: <sup>(4)</sup> January 23, 2025

Phone: <sup>(5)</sup> 402-471-3902

ESTIMATE PROVIDED BY STATE AGENCY OR POLITICAL SUBDIVISION

	FY 2025-26		FY 2026-27	
	EXPENDITURES	REVENUE	EXPENDITURES	REVENUE
GENERAL FUNDS				
CASH FUNDS				
FEDERAL FUNDS				
OTHER FUNDS				
TOTAL FUNDS				

Explanation of Estimate:

No Fiscal Impact

BREAKDOWN BY MAJOR OBJECTS OF EXPENDITURE

Personal Services:				
POSITION TITLE	NUMBER OF POSITIONS		2025-26	2026-27
	25-26	26-27	EXPENDITURES	EXPENDITURES
Benefits.....				
Operating.....				
Travel.....				
Capital outlay.....				
Aid.....				
Capital improvements.....				
TOTAL.....				

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**2025**

**LB<sup>(1)</sup> 541**

**FISCAL NOTE**

State Agency OR Political Subdivision Name: <sup>(2)</sup> Secretary of State

Prepared by: <sup>(3)</sup> Joan Arnold Date Prepared: <sup>(4)</sup> 2-25-2025 Phone: <sup>(5)</sup> 402-471-2384

**ESTIMATE PROVIDED BY STATE AGENCY OR POLITICAL SUBDIVISION**

	<u>FY 2025-26</u>		<u>FY 2026-27</u>	
	<u>EXPENDITURES</u>	<u>REVENUE</u>	<u>EXPENDITURES</u>	<u>REVENUE</u>
GENERAL FUNDS	<u>\$975,850</u>	<u></u>	<u>\$7,200</u>	<u></u>
CASH FUNDS	<u></u>	<u></u>	<u></u>	<u></u>
FEDERAL FUNDS	<u></u>	<u></u>	<u></u>	<u></u>
OTHER FUNDS	<u></u>	<u></u>	<u></u>	<u></u>
TOTAL FUNDS	<u>\$975,850</u>	<u></u>	<u>\$7,200</u>	<u></u>

**Explanation of Estimate:**

LB541 proposes to change election processes in a few ways. Those changes and the related financial implications are outlined below.

**Hand Counting**

Sections 3 and 30-34 of LB541 allow for any election or automatic recount to be done by hand count, requires a minimum 25% hand count in counties using vote counting devices, and requires a hand recount if requested by the apparent loser in a legislative race on the general election ballot. It is difficult to estimate if full hand counting would be utilized by many counties; however, the cost for additional staffing for hand counting would fall to the counties, and that cost could be significant (our best estimate is \$7 million for a presidential and gubernatorial election cycle if all of ballots were hand counted or \$2.5 million if 25% were hand counted in addition to a tabulator count). Pursuant to existing state law, the Secretary of State may adopt and promulgate rules and regulations to establish different procedures and locations for voting and counting votes pursuant to the use of any new voting or counting system. As hand counting would be a new counting system, it would be necessary to promulgate rules and regulations, or policy and procedure guidelines, related to hand counting for our county election officials to use. There is a resource that has specialized knowledge with respect to hand counting and would likely contract for these procedures and training to be drafted. Based on prior quotes for similar services from this elections resource, the cost for drafting the procedures and training related to the new procedures is expected to be \$40,000 plus \$10,000 for travel costs. We anticipate this would be a one-time cost and that we would update the materials and provide ongoing training with existing staff.

**Ballot Return**

Sections 5, 25, and 27 of LB541 restrict agents to be able to return no more than two ballots and establishes further minimum requirements for drop boxes. Section 5 appears to recommend updated rules and regulations related to these process changes. There is a resource that has specialized knowledge and we would likely contract for these procedures to be drafted. The cost for drafting the procedures is expected to be \$25,000. We anticipate this would be a one-time cost.

**Voter Registration**

Sections 11 and 36 of LB541 repeal online voter registration, requires voters to present a photo ID when registering to vote, and eliminates submitting voter registrations via mail or agent. It is anticipated that this change would require the Secretary of State to modify the voter registration forms and reprint and mail those out, which is expected to cost \$3,100. Additionally, counties would likely require additional staffing due to increased foot traffic.

**Ballot Watermark**

Sections 19 and 30 of LB541 require official ballots include “a covert watermark that identifies the ballot as an official Nebraska ballot.” Based on the historic number of ballots purchased, existing ballot costs, and an estimate from our vendor of the cost for a covert ultraviolet (UV) watermark, it is estimated that counties would see a 33% increase in ballot costs, or roughly \$200,000 per year. The State would need an additional \$30,000 to purchase the blue lights view the UV watermark.

**No-Excuse Early Voting**

Sections 20, 22, 23, and 26 of LB541 eliminate no-excuse early voting. Early voters by mail would need to reiterate their excuse for voting early on their ballot return envelopes, which would require new county envelope stock statewide at a cost of \$200,000. The Secretary of State’s office would purchase this initial stock for all counties and then counties would be responsible for the cost of ongoing restock. Additionally, as a result of the elimination of no-excuse early voting, it is estimated that 120 additional precincts will be needed due to increased in person voting. With more precincts, we would be required to purchase additional ADA compliant voting machines for each precinct. This is estimated to cost \$385,000, plus \$7,200 for ongoing maintenance. Lastly, there would be significant financial implications at the county level. Examples of county-level fiscal impact could include increased number of temporary workers, poll workers, training costs, etc. and potentially reduced postage/envelope costs.

**Drop Box Surveillance**

Section 27 of LB541 requires video surveillance on all drop boxes 24/7 for 30 days prior to every election and the videos must be retained for 22 months. Around half of the existing drop boxes already have video surveillance, so it is estimated that an additional 40 cameras may need to be purchased at \$1,100 each for a total cost of approximately \$44,000. Signage to notify the public about the video surveillance is estimated to cost \$1,250. Lastly, the amount of storage needed to cover 30 days prior to every election, including special elections, is estimated to be 7.5 petabytes, or 750 10 terabyte external hard drives for all counties to store the videos for 22 months, which is expected to cost \$187,500.

**Voting/Counting System Approval**

Section 31 of LB541 requires the voting or counting system be approved by multiple parties including “an independent information technology company.” We anticipate that such an IT company would require payment to perform these services, estimated to be \$50,000. We were not able to identify an IT company and get a quote, nor is it clear what the company’s review process would entail, so it is possible that these costs could be higher.

BREAKDOWN BY MAJOR OBJECTS OF EXPENDITURE				
Personal Services:				
POSITION TITLE	NUMBER OF POSITIONS		2025-26	2026-27
	25-26	26-27	EXPENDITURES	EXPENDITURES
Benefits.....				
Operating.....			\$965,850	\$7,200
Travel.....			\$10,000	
Capital outlay.....				
Aid.....				
Capital improvements.....				
TOTAL.....			\$975,850	\$7,200