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Voting Modernization Board

Modernizing Voting Equipment in California

August 23, 2022

TO: Voting Modernization Board

FROM: Robbie Anderson
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RE: Dissolving the Voting Modernization Board

Issue

The purpose of this memorandum is to provide guidance to the Voting Modernization Board (VMB) on whether the VMB can dissolve before all of the authorized debt provided for in Elections Code section 19254(a) has been issued.

Conclusion

The bond funding account can be closed with legislative action to extinguish the general obligation bonds, thereby eliminating the need to administer them and the VMB could be dissolved.

Background

The Voting Modernization Bond Act was passed by voters in March 2002 and established the VMB to oversee the distribution of \$195 million in bond funds to county elections official in order to modernize voting systems in California.

In August 2021, after 19 years administering bond funds, the VMB voted to implement a final deadline on December 20, 2022, for counties to request reimbursement of any unspent amounts from each county's original allotment. After this final round of funding, any unawarded amounts would revert back to the Voting Modernization Fund to be distributed to the remaining counties.

In February 2022, the Board voted to offer an additional funding found that required counties to submit applications for additional funding consideration by April 6, 2022.

If the current applications are approved by the VMB, approximately \$8,787,870 in bond funds will remain.

Example of Extinguished Bond Action

In the 1998 general election, voters passed Proposition 82, known as the Water Conservation Law of 1988. Proposition 82 created a new statute in the Water Code, Section 12879.7, which authorized bonds in the total amount of \$60 million. Section 12879.7 as added by Proposition 82 read as follows:

12879.7. Bonds in the total amount of sixty million dollars (\$60,000,000), exclusive of refunding bonds issued pursuant to Section 12879.15, or so much thereof as is necessary, may be issued and sold to provide a fund to be used for carrying out the purposes expressed in this chapter and to be used to reimburse the General Obligation Bond Expense Revolving Fund pursuant to Section 16724.5 of the Government Code. All bonds herein authorized, which have been duly sold and delivered as herein provided, shall constitute valid and legally binding general obligations of the State of California, and the full faith and credit of the State of California is hereby pledged for the punctual payment of both principal and interest thereof.

In 2020, the legislature adopted Assembly Bill 92 (AB 92, Chapter 18 of the Statutes of 2020), which reduced the amount of authorized bonds to \$54,765,000. The unissued amount (\$5,235,000) was therefore extinguished.

For some insight on the legislative process, the following excerpts are from the Assembly and the Senate regarding AB 92:

6/25/20 Assembly Floor Analysis

Extinguishes old general obligation bonds that are no longer needed to reduce administration costs by reducing the amount of indebtedness authorized by the Earthquake Safety and Public Buildings Rehabilitation Bond Act of 1990 and the Water Conservation Bond Law of 1988. This provision is intended to relieve the need to administer minimal remaining balances that are not enough to support another project.

6/25/20 Senate Floor Analysis

Extinguishing Remaining Unissued Bond Authority (Propositions 112 and 82). Extinguishes old general obligation bonds that are no longer needed to reduce Administration costs at the request of the Treasurer's Office. This saves on ongoing Administration to administer minimal remaining balances that are not enough support another project. The trailer bill language reduces the amount of indebtedness authorized by the Earthquake Safety and Public Buildings Rehabilitation Bond Act of 1990 and the Water Conservation Bond Law of 1988.

Upon the passage of AB 92, Water Code section 12879.7 was amended to read as follows:

12879.7. Bonds in the total amount of fifty-four million seven hundred sixty-five thousand dollars (\$54,765,000), exclusive of refunding bonds issued pursuant to Section 12879.15, or so much thereof as is necessary, may be issued and sold to provide a fund to be used for carrying out the purposes expressed in this chapter and to be used to reimburse the General Obligation Bond Expense Revolving Fund pursuant to Section 16724.5 of the Government Code. All bonds herein authorized, which have been duly sold and delivered as herein provided, shall constitute valid and legally binding general obligations of the State of California, and the full faith and credit of the State of California is hereby pledged for the punctual payment of both principal and interest thereof.

Process to Extinguish the Voting Modernization Bonds and Dissolve the VMB

If the Board makes the decision to pursue the closing of the Voting Modernization Bond funds although it has not exhausted the entire allocated debt amount, the procedure would be as follows:

1. The Secretary of State staff to the VMB will reach out to the California State Treasurer's office and/or the California Department of Finance.
2. The Secretary of State staff to the VMB will request the State Treasurer's office to review the Voting Modernization Bond Act of 2002 (Bond Act) language and the State General Obligation Bond Law with the Department of Finance and the California Attorney General's office. (See, Elec. Code, section 19251.)
3. A fact sheet will be created which includes, but may not be limited to, the following: the amount of bonds issued, the amount of bonds unissued (to be extinguished), outstanding commercial paper and when bonds will be issued to refund outstanding commercial paper, and the amount of unused proceeds and disposition.
4. The final step likely involves legislative action to extinguish the unissued portion of the Bond Act. This step is normally handled by the Department of Finance.

If the Board wishes to begin the process of dissolving the VMB, the Board should make a motion to require Secretary of State's VMB staff to reach out to either the State Treasurer's office and/or the Department of Finance to begin the process of winding down the VMB.

The end result would likely be an amendment to Elections Code section 19254(a) by the Legislature in order to reduce the amount of authorized debt to equal the amount of authorized bonds that have been already issued. Once that is complete, there would no longer be any funds to authorize for reimbursement and the VMB could be dissolved.

Once legislative action has been chaptered, the VMB would likely need to hold one final meeting to move to dissolve the VMB.