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Joan Claybrook, President

The Cost and Procedures of Establishing An Electronic Reporting System for 527 Committees As Proposed in H.R. 5596

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These following conclusions are based on five years of annual surveys of state elections agencies on the development and costs of their electronic reporting systems:

- The median cost of setting up a complete state electronic reporting system—which includes a mandatory filing requirement and a searchable and downloadable database on the Internet—has run about \$420,000 for initial start-up costs, and 20% of that initial cost thereafter for maintenance
- These costs include software development, Web site development, and purchasing and upgrading computer hardware and technology.
- State estimates give us a good handle on costs for the IRS since the volume of 527 reports is similar, and in some cases, smaller than, the volume of state campaign finance filings.
- In the end, the costs of establishing and maintaining such electronic programs are not overly burdensome. In fact, *cost savings are gained over time as the expenses of managing and storing paper filings and manually inputting the reports into a computerized database are eliminated.*
- Judging from the experience of comprehensive electronic reporting systems around the nation, the electronic reporting requirements for Section 527 committees under H.R. 5596 are neither overly burdensome nor costly.

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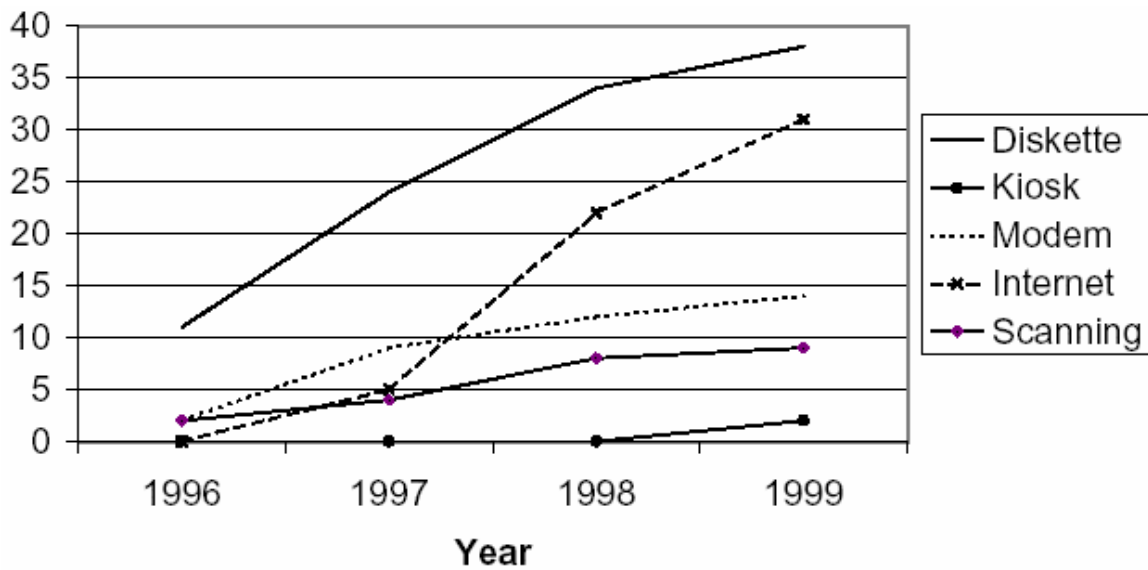
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The Trend Is for More Efficient Web-Based Filing

Electronic filing and disclosure can be done through a variety of different electronic technologies, and the preferred technologies have rapidly evolved through the last half-decade. Campaign finance reports may be filed via Web-based programs, diskette, direct-dial modem, public computer terminal or scanned into the computer database. The information may be disclosed to the public through any one or a combination of these mediums. *The one electronic medium that has emerged as the dominant method of both filing and disclosure is the Internet. Web-based programs on the Internet have proven more efficient and more able to fulfill the objectives of disclosure.* [See Figures One and Two.]

Figure One

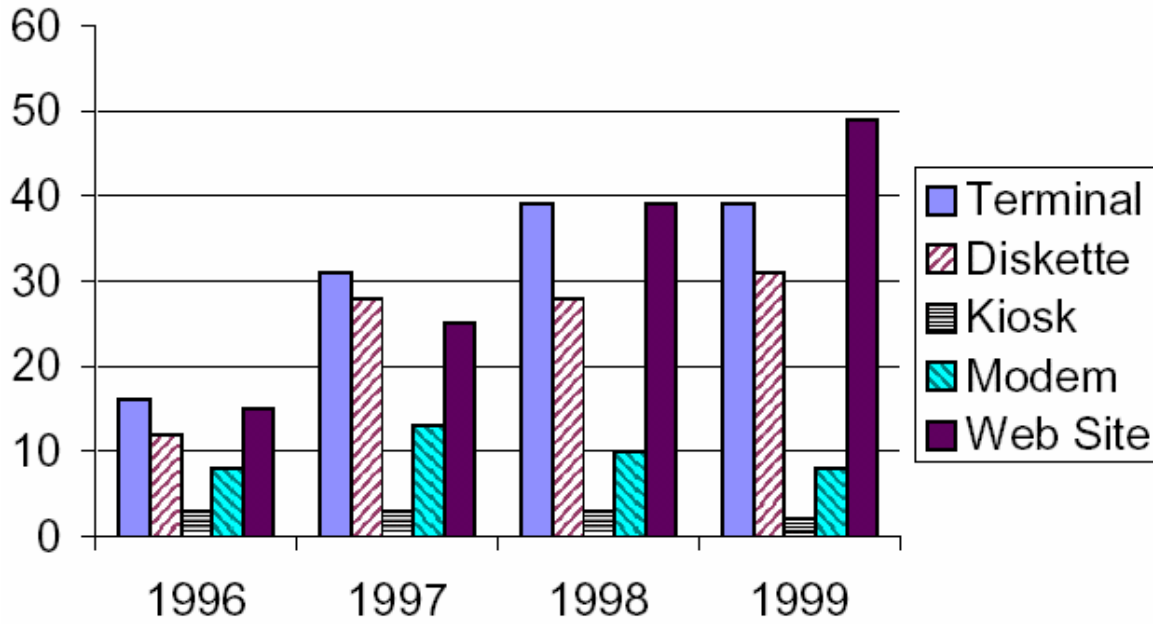
Evolving Methods of Electronic Filing



Source: Craig Holman and Robert Stern, "Access Delayed Is Access Denied: Electronic Reporting of Campaign Finance Data," *Journal of Public Integrity* (2000).

Figure Two

Evolving Methods of Electronic Disclosure



Source: Craig Holman and Robert Stern, "Access Delayed Is Access Denied: Electronic Reporting of Campaign Finance Data," *Journal of Public Integrity* (2000).