

AGENDA**ASSEMBLY BUDGET SUBCOMMITTEE NO. 4 ON STATE ADMINISTRATION****ASSEMBLYMEMBER TOM DALY, CHAIR****WEDNESDAY, MAY 23, 2013****1:30 P.M. OR UPON ADJOURNMENT OF SESSION - STATE CAPITOL ROOM 447**

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ITEMS TO BE HEARD

0890 SECRETARY OF STATE

ISSUE 1: BUSINESS FILINGS AND CALIFORNIA BUSINESS CONNECT

The Governor's Budget contains one BCP related to California Business Connect, an information technology (IT) project that would bring business filings online. Additionally, the May Revision contains a proposal related to business filings.

BACKGROUND

The SOS has had a business filing and registration backlog for years. Last year, the Assembly allocated \$1.2 million of its own operating money to the SOS because Business Entity filing turnaround time reached an all-time high of 85 days. This allowed the SOS to reduce some of the backlog, and return filings and registrations within 30 days.

On May 1st, the Governor signed AB 113 (Budget Committee), Chapter 3, Statutes of 2013. The legislation allocated \$1.6 million to immediately begin reducing this backlog and get the average filing processing time down to five business days. The SOS office is required to report monthly on its progress to the Joint Legislative Budget Committee along with the Department of Finance.

The SOS believes that the implementation of their California Business Connect information technology project will greatly enhance their service, and make it possible to maintain a five-business day processing time. The Governor's Budget proposes an increase of \$3.7 million in Reimbursement authority to continue with the implementation of the project, which would create a centralized information database and put SOS services online.

California Business Connect will replace an antiquated paper-based system, which includes a reliance on 3X5 index cards for records storage. The project aims to create a single intake process for the paper and online filings in order to lessen and eventually eliminate all backlogs. As a result, business filing turn-around times would be reduced, allowing businesses to launch quickly in order to generate jobs and tax revenues for California. This automation effort began in July 2011 and has a projected completion date of June 2016.

The Governor's Budget contains one BCP for SOS related to the IT project California Business Connect:

- 1. California Business Connect Project.** The Governor's Budget requests a \$3.721 million increase in reimbursement authority for Fiscal Year 2013-14. The funds will be used to contract for software customization, a test manager, an information security vendor, and to continue contracting services for project management and independent oversight. Once the vendor is selected, a Special Project Report (SPR) is expected to be submitted to the Legislature requesting approval to realign the project schedule based on the cost of the winning proposal. The project will be paid for entirely by expedited filing fee payments from the reimbursement fund.

The May Revision also contains a proposal related to the business filings backlog along with Budget Bill Language specifying the monthly reporting requirements for the SOS.

- 2. Business Programs Division Backlogs.** The May Revision requests \$5.68 million to support the Business Programs Division. The funds will be used for 56.0 3-year limited-term positions to further eliminate the business filings backlog, in accordance with AB 113. The funds are necessary to achieve and maintain a five business day processing time.

The May Revision also proposes the Budget Bill Language to outline the monthly reporting requirements referenced in AB 113. The provisions are:

- I. The Secretary of State shall report to the Department of Finance and the Joint Legislative Budget Committee on performance of its Business Filings Division (BPD). The report shall include a summary of performance over the preceding quarter including average processing time, number of filings processed, the number of expedited filings, total outstanding filings, a summary of the number of staff in the BPD, the number of vacant positions and vacancy rate, the hours of overtime worked, number of temporary workers, and hours they worked.
- II. The report required in Provision 1 shall be made for each month through December 2013 and quarterly thereafter (January-March, April-June). However, if the December 2013 or any subsequent report indicates that the average processing time for business filings is more than 5 days, the Secretary shall include a plan to come in compliance with the 5-day standard and shall provide monthly reports until it is in compliance. The reports in this section shall be due by the 15th of the month following the reporting period.

STAFF COMMENTS

Staff has no concerns with these proposals.

Staff Recommendation: Adopt Budget Change Proposal and Budget Bill Language. Approve May Revision request.

8260 CALIFORNIA ARTS COUNCIL

ISSUE 1: GRANT FUNDING

The Subcommittee may wish to consider a General Fund appropriation to the California Arts Council.

BACKGROUND

The Governor's Budget proposes a \$5.22 million budget, and 17.5 personnel for the California Arts Council in Fiscal Year 2013-14.

STAFF COMMENTS

The Subcommittee requested this item be agendaized on May 22, 2013.