

AGENDA

ASSEMBLY BUDGET SUBCOMMITTEE NO. 4 ON STATE ADMINISTRATION

ASSEMBLYMEMBER TOM DALY, CHAIR

TUESDAY, MARCH 4, 2014
1:30 - STATE CAPITOL ROOM 447

ITEMS TO BE HEARD		
ITEM	DESCRIPTION	
0890	SECRETARY OF STATE	
ISSUE 1	UPDATE ON BUSINESS LICENSE FILINGS	1
ISSUE 2	CALIFORNIA BUSINESS CONNECT	3
ISSUE 3	HAVA/VOTECAL	4
ISSUE 4	OTHER SECRETARY OF STATE BUDGET PROPOSALS	5

ITEMS TO BE HEARD

0890 SECRETARY OF STATE

ISSUE 1: UPDATE ON BUSINESS LICENSE FILINGS

The Secretary of State has achieved performance goals set for the department by this Subcommittee last year. The Subcommittee will receive an update on the Secretary's progress and discuss lessons learned from the past year.

BACKGROUND

The Secretary of State is responsible for filing important commerce and trade documents including business formations, changes, and terminations. These documents are critical for all businesses operating in California, and thus the work of the Secretary of State is critical to the economic health of the State.

The Secretary of State currently uses an old, slow, and labor-intensive manual business process for these functions that have hindered the ability of the Secretary of State to be responsive to businesses. Most business entity documents and information requests are submitted to the Secretary of State via mail or in-person in Sacramento and Los Angeles. The Secretary of State currently relies on several antiquated electronic and paper database systems (including 3" by 5" index cards) in order to process over 2 million business filings and orders submitted on an annual basis.

The Secretary of State is also working on an effort to improve the overall business process for processing business filings and information requests including the use of technology to make the overall process more accessible, faster, and less labor intensive. This effort, called the California Business Connect project, is further discussed in Issue 2 of this agenda.

As of March 18, 2013, the Secretary of State reported a business filing processing time of 55 calendar days. However, at peak times, processing could take as long as 120 days for some documents. This was much longer than most other States. New York processes in less than 7 days and Texas processes in less than five days.

2013 ASSEMBLY ACTION

In March of 2013, Subcommittee #4 heard the Business Filing Issue and at that time set a goal for the Secretary of State to process business filings within five business days by November of 2013.

The Subcommittee hearing was followed by the swift adoption of AB 113 (Committee on Budget) Chapter 3, Statutes of 2013, which provided \$1.6 million of funding in 2013 for the Secretary of State to begin hiring additional staff to address the existing backlog.

In the final 2013-14 Budget, the Assembly adopted the Governor's May Revision proposal for \$5.7 million and 56.0 3-year limited-term positions to further eliminate the business filings backlog, in accordance with goal set by this Subcommittee.

The Secretary of State was able to meet the 5 day goal set by the Subcommittee and has maintained this performance level.

STAFF COMMENTS

The Secretary of State deserves credit and praise for meeting the goals set by the Subcommittee. When this issue was heard in this Subcommittee last year, the department was worried that it could not meet these goals in the timeline provided by the committee for a number of reasons. However, the department was able to surmount these limitations and continues to perform at this higher level of service.

This success is an opportunity for the Subcommittee to learn from the Secretary of State. In meeting the goals set by the Subcommittee, which challenges were easier than expected? Were there any challenges that were not anticipated?

The Secretary of State may be able to provide some perspective to the Subcommittee on how to address performance problems in other departments. How did the Subcommittee add value to fixing the business entity filing problem? Is there any way in which the Subcommittee's involvement did not help?

Finally, the Subcommittee should consider how to maintain this level of performance in the future. The next issue on the agenda, Issue 2, will discuss the plan to permanently address the problem by adopting a modern business process using technology to provide fast and effective service. Until that is implemented, the Secretary of State will continue to rely upon the continued infusion of labor to maintain performance levels.

Lessons learned from the experience with the business filings can be applied to other departments and agencies. For example, the Subcommittee anticipates hearing next week from the Secretary of Labor and the Employment Development Department regarding the customer service issues with the Unemployment insurance program. Hopefully the involvement of the Subcommittee can help render similar improvements to that program.

Staff Recommendation: Informational Item, No Action Needed

ISSUE 2: CALIFORNIA BUSINESS CONNECT

The long-term plan to address the problems with business filings is to modernize the Secretary of State's business process. This issue explores the modernization effort, called the California Business Connect project.

BACKGROUND

The California Business Connect project is an effort to replace the antiquated and labor-intensive business filing process with a modern process that will both improve the customer experience and reduce operational costs for the State. The project includes a comprehensive technology upgrade that will increase online services for business filings and copy orders, allowing the Secretary of State to process documents within as quickly as a few hours and avoid seasonal processing fluctuations. This will allow business to quickly open their doors, create bank accounts, acquire loans, hire employees, and generate income regardless of the time of year, creating a friendlier business environment in California.

The Secretary of State has completed its review of vendor bids for a Systems Integration consultant and the Notification of Intent to Award the contract was posted on September 5, 2013. The new Systems Integration contract was awarded on January 10, 2014. The project is expected to be implemented in 2016 and would replace the temporary resources which were added to address the business filing backlogs discussed in Issue 1.

The Governor's Budget proposes \$4.6 million of special funding for this project in 2014-15. The total costs for 2014-15 are expected to be \$7.2 million to continue implementation of the California Business Connect project, but of the projected costs for FY 2014-15, \$2.9 million will be funded through the use of existing resources.

STAFF COMMENTS

The Secretary of State will provide an update on this project, which is just getting underway.

Staff Recommendation: Approve as Budgeted and Adopt Supplemental Report Language to Require Business Connect to update Subcommittee and Budget Staff Quarterly

ISSUE 3: HELP AMERICA VOTE ACT (HAVA)/VOTECAL

The Secretary of State is one year into implementing a three-year technology project that will allow California to meet federal elections requirements. The Subcommittee will discuss the department's progress towards that goal.

BACKGROUND

Passed in 2002, in response to controversy surrounding the presidential election of 2000, the federal Help America Vote Act (HAVA) requires that states comply with a series of federal election requirements that are intended to ensure a fair and accurate federal election process. Such requirements include: replacing punch card and lever operated voter equipment; allowing voters to verify their ballots; providing voters with provisional ballots; providing access for voters with disabilities; and creating a statewide voter registration database.

The SOS entered into an agreement with the U.S. Department of Justice to develop and implement a statewide uniform, centralized, interactive, and computerized voter registration database to comply with federal mandates of the Help America Vote Act (HAVA). A contract to develop this new system, called VoteCal, was awarded in 2013 and the Secretary of State anticipates completion of the project by the middle of 2016. This new system will work with existing county Election Management Systems. This will allow county users to use their existing data entry screen processes while ensuring that voter registration information is maintained by the VoteCal system in the single, statewide voter registration database.

The Governor's Budget includes two HAVA related items:

1. \$14.8 million of federal funds to continue the implementation of the VoteCal system. The majority of this funding is for contracting with the project vendor.
2. \$5.1 million of federal funds for activities related to complying with the HAVA federal mandates. Of this amount, \$2.1 million is for Elections Assistance for Individuals with Disability grants for counties. The remainder of the funding is used for voter system testing, voter education, and various State administrative costs.

STAFF COMMENTS

The Secretary of State will provide a brief update on these important projects which are critical to California's electoral system.

Staff Recommendation: Approve as Budgeted

ISSUE 4: OTHER SECRETARY OF STATE BUDGET REQUESTS

The Subcommittee will consider three budget proposals from the Secretary of State that may be non-controversial.

BACKGROUND

The Governor's budget included three proposals for the Secretary of State:

- ***Transfer of State Records Management Program to Secretary of State.*** The Governor's Budget includes one position and \$432,000 (General Fund) to transfer the California Records and Information Management program and its three Records Analyst positions from the Department of General Services to the Secretary of State. This proposal includes Trailer Bill provisions to reflect this transfer in statute.
- ***Actively Seeking Elderly/Dependent Adult Applicants for "Safe at Home".*** The Governor's Budget includes \$68,000 (General Fund) for one, permanent full-time Management Services Technician to assist with the workload associated with the implementation of AB 849 (Garcia) Chapter 676, 2013. This bill allows the elderly and or dependent adult victims of domestic violence, sexual assault or stalking, to apply to the Secretary of State's California Address Confidentiality Program, or "Safe at Home".
- ***Facility Operations Increase.*** The Governor's Budget proposes \$2.4 million (\$1.9 million ongoing) to adjust for DGS rental costs for the Secretary of State office space. Last year the remaining bond debt on the Secretary of State building was retired and the facility was transferred to the DGS building portfolio. When the Secretary of State's budget was adjusted for this transition, the new rental amount did not include sufficient funds for the sites deferred maintenance needs. This budget item corrects the rental rate going forward.

STAFF COMMENTS

These proposals appear non-controversial.

Staff Recommendation: Approve as budgeted.
