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## *California State Senate*

COMMITTEE  
ON  
BUDGET AND FISCAL REVIEW

ROOM 5019, STATE CAPITOL  
SACRAMENTO, CA 95814

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(916) 651-4103  
FAX (916) 323-8386

## Agenda

**April 18, 2013**  
**9:30 a.m. or upon adjournment of Session**  
**Room 4203**

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**BILL**

**AUTHOR**

**SUBJECT**

**A.B. 113    COMMITTEE ON BUDGET    Budget Act of 2012.**

**SENATE COMMITTEE ON BUDGET AND FISCAL REVIEW**  
*Mark Leno, Chair*

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<b>Bill No:</b>	<b>AB 113</b>
<b>Author:</b>	<b>Blumenfield</b>
<b>As Amended:</b>	<b>March 14, 2013</b>
<b>Consultant:</b>	<b>Brady Van Engelen</b>
<b>Fiscal:</b>	<b>Yes</b>
<b>Hearing Date:</b>	<b>April 18, 2013</b>

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**Subject:** Budget Act of 2012: business filings.

**Summary:** Appropriates \$1.6 million in Business Fees Funds to reduce processing times of business related filings and to address the backlog of over 122,000 business related filings currently pending at the Secretary of State's office.

**Proposed Amendments:** Reduces appropriation by \$400,000 to reflect expenditure plan submitted by the Secretary of State.

**Background:** Existing law authorizes the Secretary of State to utilize the Business Fees Fund to perform business-related functions for the state. The Secretary of State is responsible for the management of over 150 different types of filings of business entities and receives over one million filings annually. The majority of the filings submitted to the Secretary of State are recorded on index cards. The Business Programs Division, which is responsible for the management of the filings, is comprised of three sections: the Business Entities Section, Notary Public/Special Filings Section, and the Uniform Commercial Code/Statement of Information section.

**Proposed Law:** This measure, as proposed to be amended, would appropriate \$1.6 million to the Secretary of State in order to address the backlog associated with the processing of business filings.

This measure includes a reporting requirement that the Secretary of State shall report to the Joint Legislative Budget Committee on the 30<sup>th</sup> day of each month regarding the Secretary of State's progress on reducing the processing time for business filings.

**Fiscal Effect:** This measure appropriates \$1.6 million from the Business Fees Fund, which supports the Business Programs Division within the Secretary of State's Office. According to the Secretary of State's Office, the cost of processing additional filings will be offset by the additional revenue received from the fees paid with the filings. In accordance with Government Code Section 12176, unspent fees in excess of \$1.0 million are transferred to the General Fund.

**Comments:** Currently, the Secretary of State utilizes an antiquated filing process that is paper and labor intensive. The Secretary of State estimates that the processing time for Business Entities and Statements of Information ranges from 55 to 53 days, and, as of March 2013, the total number of documents backlogged is 123,501. The Secretary of State estimates that, if the funds are appropriated, the business filings processing times will be reduced to an average of 5-10 days by the end of November 2013.

According to the spending plan submitted by the Secretary of State, the Business Programs Division will begin hiring immediately upon receipt of the funds and will identify overtime opportunities for staff to begin working on the backlog.

On March 14, 2013, the Assembly amended the 2012 Budget Act to appropriate an additional \$2 million to the Secretary of State in order to address the backlog of business filings. However, the spending plan submitted by the Secretary of State acknowledged that, due to time constraints, only \$1.6 million was needed in the short term to reduce the backlog. The suggested amendment is in line with the spending plan submitted by the Secretary of State.

**Support:**

The Personal Insurance Federation of California  
California Business Roundtable  
Orange County Business Council  
The California Manufacturers & Technology Association  
National Federation of Independent Business

**Opposition:**

None on file.

AMENDED IN ASSEMBLY MARCH 14, 2013

CALIFORNIA LEGISLATURE—2013–14 REGULAR SESSION

**ASSEMBLY BILL**

**No. 113**

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**Introduced by Committee on Budget (Blumenfield (Chair), Bloom, Bonilla, Campos, Chesbro, Daly, Dickinson, Gordon, Jones-Sawyer, Mitchell, Mullin, Muratsuchi, Nazarian, Rendon, Stone, and Ting)**

January 10, 2013

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*An act relating to the Budget Act of 2013. An act to amend the Budget Act of 2012 by amending Items 0890-001-0001 and 0890-001-0228 of Section 2.00 of that act, relating to the state budget, and making an appropriation therefor, to take effect immediately, budget bill.*

LEGISLATIVE COUNSEL'S DIGEST

AB 113, as amended, Committee on Budget. Budget Act of ~~2013~~ 2012.

*The Budget Act of 2012 appropriated \$53,526,000 to the Secretary of State for purposes of filings and registrations during the 2012–13 fiscal year.*

*This bill would increase this appropriation by \$2,000,000 to \$55,526,000. The bill would require that this increase be used for costs associated with reducing the processing time for business filings and require the Secretary of State to report on the 30th day of each month to the Joint Legislative Budget Committee on the Secretary of State's progress in achieving those reductions.*

*This bill would declare that it is to take effect immediately as a Budget Bill.*

*This bill would express the intent of the Legislature to enact statutory changes relating to the Budget Act of 2013.*

Vote: majority. Appropriation: ~~no~~-yes. Fiscal committee: ~~no~~  
yes. State-mandated local program: no.

*The people of the State of California do enact as follows:*

1 SECTION 1. Item 0890-001-0001 of Section 2.00 of the Budget  
2 Act of 2012 is amended to read:

3  
4 0890-001-0001—For support of Secretary of State..... 31,764,000

5 Schedule:

6 (1) 10-Filings and Registrations..... ~~53,526,000~~

7 55,526,000

8 (2) 20-Elections..... 36,014,000

9 (3) 30-Archives..... 10,897,000

10 (4) 40-Department of Justice Legal Ser-  
11 vices..... 333,000

12 (5) 50.01-Administration and Technolo-  
13 gy..... 23,962,000

14 (6) 50.02-Distributed Administration and  
15 Technology..... -23,962,000

16 (7) Reimbursements..... -10,575,000

17 (8) Amount payable from the Secretary of  
18 State’s Business Fees Fund (Item 0890-

19 001-0228)..... ~~-40,231,000~~

20 -42,231,000

21 (9) Amount payable from the Federal Trust  
22 Fund (Item 0890-001-0890)..... -16,602,000

23 (10) Amount payable from the Victims of  
24 Corporate Fraud Compensation Fund  
25 (Corporations Code 1502.5)..... -1,598,000

26 Provisions:

27 1. The Secretary of State may not expend any special  
28 handling fees authorized by Chapter 999 of the Statutes  
29 of 1999 which are collected in excess of the cost of  
30 administering those special handling fees unless  
31 specifically authorized by the Legislature.

32 2. Of the amounts appropriated in this item, \$16,602,000  
33 shall be used for operational costs associated with  
34 implementation of the Help America Vote Act of 2002  
35 (42 U.S.C. Sec. 15301 et seq.).

1 3. Of the funds appropriated in this item, \$5,733,000 is  
 2 available for preparing, printing, and mailing the state  
 3 ballot pamphlet pursuant to Article 7 (commencing  
 4 with Section 9080) of Chapter 1 of Division 9 of the  
 5 Elections Code. Any unexpended funds pursuant to  
 6 this provision shall revert to the General Fund.

7 4. *The \$2,000,000 increase to Schedule (1) made by As-*  
 8 *sembly Bill 113 of the 2013–14 Regular Session shall*  
 9 *be used for costs associated with reducing the process-*  
 10 *ing time for business filings. The Secretary of State*  
 11 *shall report to the Joint Legislative Budget Committee*  
 12 *on the 30th day of each month regarding the Secretary*  
 13 *of State’s progress on reducing the processing time*  
 14 *for business filings.*

15  
 16 *SEC. 2. Item 0890-001-0228 of Section 2.00 of the Budget Act*  
 17 *of 2012 is amended to read:*

18  
 19 0890-001-0228—For support of Secretary of State, for payment  
 20 to Item 0890-001-0001, payable from the Secretary of  
 21 State’s Business Fees Fund..... 40,231,000  
 22 42,231,000

23  
 24 *SEC. 3. This act is a Budget Bill within the meaning of*  
 25 *subdivision (e) of Section 12 of Article IV of the California*  
 26 *Constitution and shall take effect immediately.*

27 ~~SECTION 1. It is the intent of the Legislature to enact statutory~~  
 28 ~~changes relating to the Budget Act of 2013.~~

55878

04/16/13 09:40 AM  
RN 13 12751 PAGE 1  
Substantive

AMENDMENTS TO ASSEMBLY BILL NO. 113  
AS AMENDED IN ASSEMBLY MARCH 14, 2013

Amendment 1

On page 2, strike out line 7 and insert:

55,126,000

Amendment 2

On page 2, strike out line 20 and insert:

-41,831,000

Amendment 3

On page 3, in line 7, strike out "\$2,000,000" and insert:

\$1,600,000

Amendment 4

On page 3, strike out line 22 and insert:

41,831,000

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