



**FAIR POLITICAL PRACTICES COMMISSION**

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**To:** Chair Remke and Commissioners Casher, Eskovitz, Wasserman and Wynne

**From:** Erin V. Peth, Executive Director

**Subject:** Update on Form 700 Electronic Filing System and Implementation of Assembly Bill 409

**Date:** June 6, 2014

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Last year the Legislature passed and the Governor signed Assembly Bill 409, which authorizes the Commission to develop and operate an online system for Statements of Economic Interests. This memorandum outlines the background on an online system for Statements of Economic Interests and provides an update on the progress towards obtaining such a system.

**Relevant Background**

Public officials whose decisions could affect their economic interests are required by law to file economic interest disclosure statements, which are public records. These public officials disclose their private economic interests on a document titled "Statement of Economic Interests" (SEI) or the "Form 700." The purpose of the Form 700 is two-fold: 1) it provides necessary information to the public about a public official's personal financial interests so there is assurance that officials are making decisions that do not enhance their personal finances, and 2) it serves as a reminder to the public official of potential conflicts of interests so the official can abstain from making or participating in governmental decisions that are deemed conflicts of interest. In short, the Form 700 provides transparency and ensures accountability.

The Commission is charged with the administration and enforcement of the SEI reporting requirements for all state and local agencies and filers. Currently, filers at various levels of state and local government submit an estimated 500,000 forms annually, which are funneled through an array of state and local agencies. Under the Act, the Commission is the direct filing officer for specific officials, including elected officials and candidates, judges, and heads of most state departments. (Gov. Code, sec. 87200.) In total, the Commission receives approximately 25,000 SEIs directly per year.

The current process by which this important disclosure is accomplished is unnecessarily complicated, decentralized, and burdensome for all involved. First, public officials who are

required to file the forms are often confused about where the forms are filed and that they are required to file paper forms. Second, since most of the work by filing officers (including the Commission) is done manually, processing and administering the Form 700s is extremely cumbersome and time consuming. Third, since there is no central repository of SEIs and most are not readily available online it is difficult for members of the public, who are entitled to access this important information, to monitor public officials. In short, the current system is difficult for everyone – the officials who file Form 700s, the officials who administer the program, and the public.

### **The Gradual Movement Towards Electronic Filing**

Throughout the last several years, there has been a gradual movement to electronic filing of SEIs. First, in 2008, the Legislature authorized a pilot project for specified local jurisdictions to develop an electronic filing program for SEIs. (Gov. Code, section 87500.1.) Those local jurisdictions were the Counties of Los Angeles, Merced, Orange, Santa Clara, Stanislaus, and Ventura, and the City of Long Beach. All of the local agencies stated there were significant efficiencies and costs savings. The agencies reported annual cost savings ranging from \$21,120 to \$86,420, and several operational efficiencies including a reduction in late filings, a reduction in errors, and a simplified review process.

Then, in 2012 the Legislature authorized all state and local agencies to develop SEI electronic filing systems, so long as the agency complies with Commission rules. (Gov. Code, section 87500.2.) In less than a year-and-a-half, 68 agencies, including 21 of the 58 counties, have instituted electronic filing programs. This also includes three large state departments that have started electronic filing (Cal-PERS, EDD and SCIF).

### **Assembly Bill 409**

Importantly, in 2013 the Legislature passed and the Governor signed Assembly Bill 409, which authorizes the Commission to develop and operate an online system for filing SEIs. (Gov. Code, sec. 87500.3.) The system would allow officials to file electronically and also could have a public portal through which the public media will have increased access to this information. If the Commission establishes an online system for filing SEIs, the statute requires that the system: (1) be provided free of charge to the filers, (2) include safeguards including firewalls and data encryption, (3) provide electronic confirmation, including date and time of filing, to filers, and (4) provide a printable copy of the SEI and confirmation of receipt to the filers. Additionally, the Commission is also required to hold at least one public hearing to receive input on the implementation, maintenance, and training programs associated with the online filing system.

The statute also allows the Commission to make all data filed through this online system available on the Commission's website in an easily understood format that provides the greatest public access. If the Commission publishes this data on its website, the statute requires that the Commission provide technical assistance to those seeking to access this information, and redact private information, including but not limited to the signatures of filers. The statute requires the Commission to hold at least one public hearing to receive input on how best to implement a redaction policy. Finally, while this system is originally intended to support the approximately

25,000 SEIs for which the Commission is currently the filing officer, the legislation also contemplates that the Commission can become the filing officer for additional state and local agencies, and that in the future there could be a comprehensive, statewide database for SEIs.

### **Coordination with Other Efforts**

The development of an online filing system, and potentially, a public portal for SEIs is congruent with other pending efforts within State government to increase transparency of public officials' financial activities and to make that data more easily accessible to the citizens of California. Specifically, the Secretary of State's Office is currently planning an update to the electronic system that houses campaign finance and lobbying data. As these systems are planned, developed, and implemented in the coming years, the Commission will work with the Secretary of State's Office. Such coordination will assist in future technological efforts to increase transparency of this kind of data, and will increase the public's ability to have a complete a picture of all the financial influences on public officials.

### **Current Status of the Project**

As an information technology project of a State agency, the Form 700 electronic filing system must be reviewed and approved by the California Department of Technology. The Department has a mandatory project approval process, which is to ensure projects are undertaken with clear business objectives, accurate costs and realistic schedules. The project approval process has several stages.

The Commission is in the process of working through the Department of Technology's approval process. We have already completed the first step and are well on the way to completing the second step, which is to draft a Feasibility Study Report (see Statewide Information Management Manual section 20). The Feasibility Study Report is due to the Department of Technology by July 21, 2014, and the Commission is on track to meet that deadline. After approval by Department of Technology, the Commission may submit a Budget Change Proposal to the Department of Finance this fall to request funding for the project in the 2015-16 budget year.

Staff will continue to update the Commission on this important project as it progresses.

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