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HEARING BACKGROUND

History

In 1997, the Legislature enacted SB 49 (Karnette, Chapter 866, Statutes of 1997), which amended the Political Reform Act of 1974 (PRA) and established the Online Disclosure Act of 1997. SB 49 required the Secretary of State (SOS), in consultation with the Fair Political Practices Commission (FPPC), to develop and implement, by 2000, an online filing and disclosure system for reports and statements required to be filed under the PRA, as specified. Consequently, the SOS created and deployed a system called the California Automated Lobby Activity and Campaign Contribution and Expenditure Search System. This is commonly referred to as CAL-ACCESS.

When SB 49 was enacted, it required that disclosure reports and statements filed electronically pursuant to its provisions would continue to be filed in paper format. This paper form would be considered the official record for audit and legal purposes until the SOS determined that the online disclosure system developed pursuant to SB 49 was operating securely and effectively. Once the SOS made that determination, SB 49 provided that filers who were required to file disclosure reports or statements online or electronically would no longer be required to file a paper copy of the filings, nor would they be required to file copies with local filing officers.

In March 2005, then-Secretary of State Kevin Shelley announced that lobbyists, lobbyist employers, and lobbying firms who filed their quarterly financial disclosure reports electronically through the CAL-ACCESS system would no longer be required to file a paper copy of that same report. In making that announcement, Secretary Shelley indicated that he had “determined that the [CAL-ACCESS] system is working as intended” as it related to lobbying entities, and thus that “qualified e-filers will no longer have to submit redundant paper filings.” However, in the 25 years since legislation requiring the development of an online campaign disclosure system was enacted, the SOS has never made a public determination that the CAL-ACCESS system as a whole is operating securely and effectively, nor has the SOS made a determination that the system was operating securely and effectively as it relates to other types of filings, aside from the March 2005 announcement. Subsequent legislation eliminated the requirement for paper copies to be filed for certain types of disclosure reports and statements, and for copies of reports and statements to be filed with local filing officers

in certain circumstances, but entities that file disclosure reports online or electronically with the CAL-ACCESS system continue to be required to file paper copies of certain types of reports and statements, and the paper copy of those filings remains the official copy for audit and other legal purposes.

CAL-ACCESS Outages and Interruptions

CAL-ACCESS is now an aging and antiquated system, and the SOS reports that components of the system are no longer supported by their vendor. As a result, the system has periodically crashed and denied public access. According to SOS staff, there have been four significant outages of CAL-ACCESS since November 2020 that lasted more than one day. Three instances were due to a fiber cut and one instance was a power issue. These instances were all beyond the control of the SOS. However, as of this publication's release, it is unknown how many interruptions within CAL-ACCESS itself have occurred and how long it took for CAL-ACCESS to restore functionality.

CAL-ACCESS Replacement System

Given the limitations of the CAL-ACCESS system, the Legislature has taken steps to replace that system. In 2016, SB 1349 (Hertzberg, Chapter 845, Statutes of 2016) was enacted, which requires the SOS, in consultation with FPPC, to develop and certify for public use a new online filing and disclosure system for statements and reports that provide public disclosure of campaign finance and lobbying information in a user-friendly, easily understandable format, as specified. This new system is intended to be data driven, rather than form-based, and is intended to permit future compatibility with local campaign finance data. This new system is commonly referred to as CAL-ACCESS Replacement System (CARS).

SB 1349 required the SOS to make CARS available by February 1, 2019, but also allowed the SOS to extend that date to as late as December 31, 2019, after providing a report that explained the need for the extension and included a plan for completion. SB 84 (Committee on Budget, Chapter 30, Statutes of 2019) amended the PRA to extend the implementation date to February 2021.

In the April 2021 quarterly progress report to the Legislature, Secretary of State Weber indicated that the first release of the CARS system was delivered on schedule on February 28, 2021, and that public access and system certification was scheduled for June 30, 2021. On June 4, 2021, representatives on behalf of the California Democratic Party and the California Republican Party sent letters to the SOS with concerns regarding the implementation timeline for CARS. The letters discussed various filing and functionality issues related to CARS for the SOS to consider before launching CARS. On June 11, 2021, Secretary Weber issued the following statement on the

CARS project: "To ensure that the CARS project can fully meet its statutory obligations, the scheduled June 30, 2021 roll out of the project will be postponed. Moving forward, the Secretary of State's office will assess the project's state of readiness so that on the date it goes live it will meet the expectations of the public, stakeholders and the regulated community."

In July 2021, the SOS reported partnering with the California Department of Technology to conduct an independent assessment of CARS to determine the system's readiness to launch and whether the system would meet the expectations of the public, stakeholders, and the regulated community. Additionally, the SOS stated that the independent assessment report indicated CARS was not ready for a system launch, and that after reviewing the report findings, the SOS decided to evaluate the independent assessment report recommendations and began the planning process for a CARS project restart.

Although a new project timeline for CARS has not yet been fully established, a CARS project roadmap that was prepared as part of the independent assessment of the project recommends a schedule that includes 10 months for planning and acquisition, followed by 27 months for design-build and deployment of the new system. According to SOS staff, the process of hiring a System Integrator for the CARS project is currently underway. Once this position is filled, the independent assessment will then take an estimated 27 months.

Allocations and Expenditures for the CARS Project

According to data from the SOS, below is a table reflects the 2016-17 to the 2021-22 fiscal years, the amount authorized for the CARS project, and the expenditures for the CARS project. It should be noted that the first iteration of CARS was paused in 2021 and these totals incorporates funding for the second iteration of CARS.

<u>Fiscal Year</u>	<u>Authorized Amount</u>	<u>Expenditures</u>
2016-17	\$1,757,000.00	\$1,547,779.23
2017-18	\$5,519,000.00	\$2,367,064.41
2018-19	\$15,824,000.00	\$8,871,674.09
2019-20	\$7,692,000.00	\$5,125,480.33
2020-21	\$14,130,000.00	\$13,871,172.88
2021-22	\$10,664,000.00	\$7,624,619.70
Total	\$55,586,000.00	\$39,407,790.64

There was a request for a breakdown of expenditures within each fiscal year from SOS staff. However, as of this publication's release, the data was not provided.