



**COMMONWEALTH OF PENNSYLVANIA
DEPARTMENT OF STATE**

House Appropriations Committee Testimony
Secretary of the Commonwealth Carol Aichele

Chairman Adolph, Chairman Markosek, members of the committee, thank you for this opportunity to testify about the governor's 2014-15 Department of State budget request.

Governor Corbett's priority of attracting businesses to our state and creating jobs for our residents is reflected in this budget, particularly in the Bureau of Corporations and Charitable Organizations. The governor supported, and you passed, a law last year allowing expedited filing, an important new service for businesses incorporating in Pennsylvania. Businesses asked for this service, because incorporations can be complicated financial transactions which often come down to the last minute. We can now provide expedited filing in as little as one hour.

We began offering this service January 6, 2014, and handled more than 700 expedited filings in the service's first six weeks, attesting to how important businesses find this service. Because additional fees are part of expedited filing, the service generated \$104,000 in extra revenue in its first six months, of which \$73,000 was deposited in the state's General Fund. Overall, corporate and charitable organization filings should contribute more than \$28 million to the state's General Fund in the coming fiscal year. Over the past ten years, corporation and charitable organization filings have added \$254 million to the state's General Fund.

The governor's jobs agenda is also making Pennsylvania a leader in a new type of company, known as a benefit corporation. Gov. Corbett signed a law that took effect in January, 2013, creating this business model in Pennsylvania. Benefit corporations have as part of their corporate purpose a stated public benefit, such as environmental protection or contributions to their community's well-being. In just a year, 35 benefit corporations have registered here, giving Pennsylvania the fourth-highest number of these businesses in the nation.

The Department of State's overall proposed budget is down by more than \$9 million, or nearly 10 percent, due to a decrease of more than \$13 million in federal Help America Vote Act, or HAVA, funds. These funds were sent to states following the passage of HAVA by Congress in 2002, and are phasing out. Pennsylvania has used and continues to use this money to purchase voting machines, provide funding to counties to make polling places accessible, provide poll worker training, voter education,

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and help maintain the Statewide Uniform Registry of Electors, known as SURE, the statewide voter registration database.

Following Gov. Corbett's direction to continue prudent budgeting, we have \$1.15 million in HAVA funding remaining for this coming fiscal year to help maintain the SURE database. State dollars provide the rest of SURE's funding, which this year we propose to reduce to \$4,045,000, due to the elimination of an IT consultant, saving taxpayers \$212,000. While this is good news for 2014-15, we must point out HAVA money is rapidly running out, and the state will need to pay for the entire cost of maintaining the SURE database beginning with the 2016-17 fiscal year.

The Department of State's General Fund budget request is up this year by \$3,061,000, to \$14,213,000. This increase is due entirely to \$5,341,000 needed to advertise, as legally required, the three proposed constitutional amendments that have received their first approval by the legislature. Without these legally mandated advertising costs, our General Fund budget request would actually be down by \$2,280,000.

Another reduction in costs to taxpayers in the 2014-15 budget request results from a proposed fee adjustment for registered lobbyists. The Department of State maintains a lobbyist disclosure database, so citizens can see who is spending money, and how much they are spending, to influence legislation. Taxpayers have heavily subsidized this database since its creation in 2007. Following Gov. Corbett's direction to lower government's cost to taxpayers, we developed a regulation to adjust lobbyists' fees to maintain this database, which will lower the cost to taxpayers by \$200,000 this fiscal year. The new fee will allow small community interest organizations to continue to register as lobbyists and have input on public policy issues.

The largest part of the Department of State's budget pays to protect public health and safety and implement new regulations to make Pennsylvania a place licensed professionals in 29 different fields want to practice their crafts. This is handled by the Bureau of Professional and Occupational Affairs, which is funded entirely through license fees and fines paid by those licensed by the 29 boards operating under the bureau's jurisdiction.

The budget for this bureau is rising by \$523,000. This is due to three additional staff hired to handle a significant increase in the workload caused by the addition of five new license categories under the Medical Board: genetic counselor, prosthetist, orthotist, pedorthotist, and orthotic fitter.

Medical Board staff also continues working with the Department of Public Welfare to process license applications for behavior specialists, a license category for which final regulations were approved in 2012, to provide a higher level of treatment for children on the autism spectrum.

The budget request before you will permit the Department of State to provide high quality service at reasonable cost to the citizens of Pennsylvania, while continuing Governor Corbett's priorities of encouraging job creation and making state government live within its means.

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February 27, 2014

Chairman Adolph, Chairman Markosek, members of the committee, thank you for this opportunity to testify about the governor's 2014-15 Department of State budget request.

Gov. Corbett's priority of bringing jobs to our state is reflected in our budget. The Bureau of Corporations and Charitable Organizations began last month implementing a law the governor supported, and you passed, in July of 2013, permitting expedited corporate filings. Businesses asked for this to be able to close last minute deals to bring jobs to Pennsylvania, and more than 700 expedited corporate filings happened in the service's first six weeks. The extra fees for this service generated \$104,000, of which \$73,000 goes to the General Fund.

Corporate and charitable filings should provide more than \$28 million to the General Fund next fiscal year.

The governor also supported the law creating benefit corporations, companies whose business model has a stated public benefit, such as environmental protection. In just one year, 35 benefit corporations registered, giving Pennsylvania the fourth-highest number of these firms in the country.

Our department's General Fund budget proposal for this coming year is up \$3,061,000, but that increase is due entirely to the legally required advertising of three proposed constitutional amendments. Otherwise, our General Fund budget would actually be down by \$2,280,000.

Our federal funding continues to decline as federal Help America Vote Act (HAVA) money diminishes. This funding dropped by \$13 million this year. However, following Gov. Corbett's direction for continued prudent budgeting, we are able to put \$1.15 million of unused HAVA money into our statewide voter database, known as SURE, again this year. We also reduced our state funding for this by \$212,000, by eliminating an IT consultant. But, HAVA money will run out in 2016-17, and additional state funding will be needed for the SURE system.

Our restricted fund budget for protecting public health and safety and developing regulations to encourage job growth among our licensed professionals, is increasing by \$523,000. This is due to five new license categories under the Medical Board, and for licensing behavior specialists to provide better care for children on the autism spectrum.

Thank you again and I would be happy to answer your questions.