

PUBLIC HEARING
STATE OF CALIFORNIA
SECRETARY OF STATE

In the Matter of:

SB 49

SECRETARY OF STATE
1500 11TH STREET
AUDITORIUM
SACRAMENTO, CALIFORNIA

THURSDAY, MAY 20, 1999

10:10 A.M.

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1 PROCEEDINGS

2 PROJECT MANAGER KAWANO: Good morning, everyone. My
3 name is Steve Kawano. I'm the IT Project Manager
4 representing the Campaign and Lobbyist Automated Information
5 Management System, called CLAIMS.

6 Today, as required by SB 49, this Office of the
7 Secretary of State is conducting a public hearing to acquire
8 public input with regards to the filing format that has been
9 advertised on the Secretary of State web page for the past
10 few months.

11 We're interested in your input on other file formats
12 which continue to be discussed in the filing software
13 communities such as the X.12 and EFPOC, along with the
14 proposed solution that we have out there on our web page.

15 All input today is going to be transcribed by Peters
16 Shorthand and James Peters sitting up here in the front.
17 He's also taping this discussion, so we make sure we catch
18 everything and make sure we stay focused and on track.

19 We'd also ask that if you guys would, instead of
20 even providing input today, if you can Email any concerns,
21 even write concerns, you could send it to us, submit it to us
22 by Email or in writing. And we're going to provide the Email
23 address and the address of this building. We would like all
24 that input by the 25th, which is next Tuesday.

25 Upon compiling all these comments, the Executive

1 Steering Committee, which is made up of the Assistant
2 Secretary of State, Chief of Staff, our executive sponsor for
3 the project and the Chiefs of Management Services, the
4 Political Reform Division and Information Technology and
5 input from a member of the Fair Political Practices
6 Commission and the Franchise Tax Board, they will provide
7 this recommendation to the Secretary of State by next
8 Thursday, which is the 27th.

9 The timeline for this decision is based on the
10 project schedule and filing dates and deadlines in an effort
11 to ensure that this electronic filing implementation, as
12 mandated by SB 49, is met, okay.

13 Today, due to our time constraints for the hearing,
14 that we ask that we don't go over the same comments and that
15 we do not rehash issues which may have already been
16 discussed. I mentioned earlier, of course, we have a
17 transcriber. And our discussion is going to -- and the input
18 that we're going to get from the transcriber is going to keep
19 us on track and focused, okay.

20 In an effort to provide everyone an opportunity to
21 express their input, we are asking that we have the comments
22 restricted to a few minutes per issue and that each
23 individual speak not more than five minutes. Now, of course,
24 this is subject to run over, but I'm asking if you could
25 please adhere to that to some degree.

1 We want to make sure -- we're going to have two
2 runners with cordless microphones, Mark Rivas and Harvey
3 Tsuboi, and we want to make sure that if you have a question
4 to please state your name and the company that you're
5 affiliated with. We provided several handouts today. We
6 have a presentation, the agenda, a FAQ sheet or a list of
7 issues and questions that were raised via the Internet on the
8 format that we advertised and with some entities that came in
9 and discussed some of the concerns with the file format at
10 earlier meetings over the last month.

11 We want to let you know that on the agenda, I don't
12 know if you noticed it, but what we tried to do is that we're
13 going to try to do about a one-hour presentation and then
14 allow one hour for comments. It's a lot to cover today, but
15 we're going to try to do the best job we can to make sure
16 that we hear everyone, okay. I really appreciate that.

17 So with that, let me start. This is SB 49, public
18 hearing and today is May 20th. The overview.

19 (Thereupon an overhead presentation was
20 presented as follows.)

21 PROJECT MANAGER KAWANO: We need to get input for
22 the development process, discuss the concerns about the
23 filing format or formats and then we're going to provide you
24 a schedule and status on the project.

25 --oOo--

1 PROJECT MANAGER KAWANO: I'd like to do some
2 introductions right now. First, I'd like to introduce from
3 the Political Reform Division, the Chief, Caren
4 Daniels-Meade, Information Technology Chief, Bernard Soriano
5 and then I'd also like to include from the Fair Political
6 Practices Commission, we have Carla Wardlow here. She is part
7 of our Steering Committee. The panel members today are David
8 Hulse, business analyst and project manager for PRD, myself,
9 I'm Steve Kawano representing Information Technology, Wayne
10 Cox, he's a contract programmer. He's here at the Secretary
11 of State to help us complete this project. And then we have
12 David Harris here who's our Secretary of State webmaster
13 project manager for the Internet.

14 --oOo--

15 MR. HULSE: There are specific SB 49 requirements.
16 The Secretary of State in consultation with the Fair
17 Political Practices Commission shall develop an on-line
18 filing process compliant with the Political Reform Act of
19 1974; develop a non-proprietary standardized record format or
20 formats using industry standards for the transmission of the
21 data; hold a public hearing prior to the development of the
22 format as a means to ensure that the affected entities have
23 an opportunity to provide input to the developmental process;
24 make the format or formats public no later than September
25 1st, 1999; accept test filings from vendors and others

1 wishing to file electronically to determine compliance with
2 the standardized format and compatibility with the Secretary
3 of State's electronic filing system and publish a list of
4 qualifying vendors; and make the data available on the
5 Internet to the public.

6 --o0o--

7 MR. HULSE: What is a filing format? It is an
8 interface between computer systems that transmit and accept
9 electronic filings. It allows for data to be sent from one
10 computer to another and be interpreted accurately. It is a
11 document that specifies the data content and order in which
12 the data is sent.

13 --o0o--

14 MR. HULSE: Now we are going to be discussing three
15 possible filing formats. Our filing formats overview we'll
16 discuss California Electronic Filing Format, the proposed CAL
17 Format for political disclosure forms; the X.12 Transaction
18 Set 113 for election campaign and lobbying reporting; and the
19 pre-established Electronic Filing Proof of Concept format,
20 the EFPOC that we used for the general election for the Form
21 490.

22 --o0o--

23 MR. HARRIS: The first is the Secretary of State's
24 Electronic Filing Proof Of Concept Format. It was developed
25 by the Secretary of State in conjunction with technology

1 partners and other agencies in the Electronic Filing Proof Of
2 Concept during 1998. It was defined only for the California
3 Form 490.

4 --o0o--

5 MR. HARRIS: The second format on the next slide is
6 the X.12 Transaction Set 113, the Election Campaign and
7 Lobbying Reporting. This is a recently approved standard for
8 political disclosure developed and maintained by the
9 Accredited Standards Committee X.12 of the American National
10 Standards Institute.

11 It's not currently implemented in any venue. It
12 provides standard definitions for disclosure data and syntax
13 for data exchange and does not specify a layout of a
14 particular political venue.

15 --o0o--

16 MR. HARRIS: The third format is the California
17 Electronic Filing Format, CAL, for Political Disclosure
18 Forms. This draft filing format provided for comments via
19 the Internet, developed based on filing formats currently in
20 use by the Federal Election Commission and in several other
21 venues, state venues. And it's been modified to meet
22 specific disclosure requirements for California.

23 --o0o--

24 PROJECT MANAGER KAWANO: The next slide.

25 This is a project overview. As I stated earlier,

1 this is the Campaign and Lobbyist Automated Information
2 Management System. It's to develop an electronic filing and
3 disclosure system, which will accept filings from certified
4 software, disclose data from filings to the public via the
5 Internet, and support enforcement requirements of the
6 Political Reform Act of 1974. It will define the filing
7 format for California's filings and support filings of the
8 400 and 600 series forms.

9 --o0o--

10 PROJECT MANAGER KAWANO: Did we get mixed up?

11 MR. COX: No, my fault.

12 PROJECT MANAGER KAWANO: Our project schedule. We
13 started in January of this year. We are moving to -- this is
14 kind of like our software development life cycle that we use
15 here and adopted by the Secretary of State for software
16 projects.

17 We are completing the requirements phase. We had
18 several weeks of JAD sessions. There are some of the folks
19 out in the crowd, the business folks, we wanted to ensure
20 that all the requirements were met for the business part of
21 the political reform and SB 49, the law, and make sure that
22 we captured everything that we need to design this software.

23 The expected completion of the design phase is
24 expected the end of next month, in June. The build phase we
25 must commence by July to meet our timeline. And then our

1 test phase will commence in August with production to begin
2 in September.

3 Next slide.

4 --o0o--

5 MR. COX: Project milestones and filing dates. The
6 filing format is required by SB 49 to be made public no later
7 than 1 September, 1999. We're targeting to have the filing
8 format released by July of 1999 and begin accepting test
9 filings. That's dependent upon the format decision that we
10 make. If we go with the CAL Format, it would be sooner. If
11 we go with the X.12 or an EFPOC Format, it would be later.

12 There's an SB -- a proposed SB 50 pre-election
13 filing due in October. We're anticipating that that's a
14 non-electronic filing. There's a proposed early year-end and
15 semi-annual filing due January 10th. Our interpretation is
16 that's non-electronic. And then we have the campaign filing
17 on 27, January. We anticipate that will be the first
18 campaign electronic filing, with the first lobbyist filing
19 due the beginning of May.

20 Also under consideration is the possible form
21 revisions by the FPPC. We've been looking into this. We
22 participated in the FPPC hearing. And the results of these
23 hearings, I think, will be presented to the Steering
24 Committee for the FPPC or the Commission on June 4th.

25 PROJECT MANAGER KAWANO: Commission.

1 --o0o--

2 MR. HULSE: Approaches that will be considered.
3 Continue with the development of the CAL Format, adopt the
4 X.12 format, adopt a full EFPOC native format for all 33
5 forms, adopt a full EFPOC Format with a translator, adopt CAL
6 and fund private vendors to translate their own software to
7 be compatible. This was an approach that was done by the
8 FEC.

9 Next slide.

10 --o0o--

11 MR. HULSE: This slide deals with continuing with
12 the development of the CAL Format, which we posted as a
13 proposed format on the Internet. The pros listed on this
14 slide, a full draft format has been defined for all 33 forms
15 both campaign and lobbying, and can support existing Form 490
16 and the EFPOC Format form.

17 The draft format has been reviewed by PRD staff and
18 posted to the Internet for public review and feedback. There
19 will be no need for SOS to incur the additional costs to
20 develop another file translator, validator, parser or form
21 generator. It is less complex than the X.12 for vendors and
22 SOS to incorporate.

23 On the con side, it is a more complex development
24 for vendors than in our initial EFPOC Format; there's a
25 higher technical hurdle because the format isn't as

1 transparent as in EFPOC; and the EFPOC vendors that we had
2 for our November '98 election, those vendors may have to
3 redesign report engines or other portions of their software.

4 --o0o--

5 PROJECT MANAGER KAWANO: Excuse me, Dave. Let me
6 preface something, too, right here. We have these listings
7 of pros and cons that we're sharing with you right now. This
8 was generated from the project team input that we received
9 from vendors, comments that were made, review of the Steering
10 Committee and several members of this organization.

11 This is the kind of thing that we're looking to get
12 from you folks today really, issues even outside of this, but
13 you're free to express yourself in any way necessary. But
14 what we want to do is we're looking at the pros and cons of
15 all these different things and this is what we have to use to
16 measure and then provide the recommendation to the Secretary
17 of State, okay.

18 Thank you. Sorry.

19 MR. HULSE: No problem. On this next slide we show
20 more pros on the CAL Format. It keeps the project on track
21 and within budget. We're ready to begin database and system
22 detailed design with this approach, and vendors would then
23 have more time to accomplish test filings.

24 --o0o--

25 MR. HARRIS: The next format that we have a list of

1 pros and cons on is adoption of the X.12 format. On the pro
2 side, filing software vendors who sell outside of California
3 may benefit if they sell in more than one venue that supports
4 X.12, because they'd have some code reuse.

5 Another pro is that this is maintained by the
6 National Implementation Standards Committee, American
7 National Standards Institute. And because of the reusability
8 of the code issue, more software vendors could find it easy
9 to enter the California market.

10 On the con side, our research indicates currently
11 that translators for the transaction set will be expensive.
12 It's likely that -- they don't exist off the shelf right
13 now. But initial estimates are that it would cost \$130,000
14 to procure the basic software, which then would need to be
15 tailored at an additional expense.

16 The translators would be X.12 to CLAIMS and then the
17 vendor format to CLAIMS on the -- or I'm sorry, vendor format
18 to X.12 on the client side. So that \$130,000 number is on
19 the Secretary of State's side.

20 In addition, there's -- the translator cost is
21 anticipated to be between \$1,000 and \$1,500 per seat and
22 that's for individual filer licenses.

23 Another con for X.12 is that it looks like we have a
24 two- to three-month delay in the development of California
25 specific implementation of the X.12 style format for campaign

1 finance filing.

2 --o0o--

3 MR. HARRIS: Another con is that this would be a
4 first-time implementation for this transaction set in any
5 venue and that's risky. Transaction Set 113 isn't used in
6 any other venue yet. So if there's modifications necessary
7 for the standard, we'd be confronted with that.

8 One of the proposed methods for transmitting X.12
9 files is the use of value added networks or VANS. A con for
10 those is that VANS are proprietary and by selecting a method
11 that requires use of a VAN, it would lock customers in and
12 more significantly become non-compliant with SB 49's
13 requirement that the transmission standard be
14 non-proprietary.

15 There's also a cost issue with VANS. We received
16 this, that it would cost between \$10 and \$30 per filing. And
17 the filing community might not find that acceptable per
18 transaction cost. It would also be a more difficult format
19 to implement than either EFPOC or the CAL Format.

20 --o0o--

21 MR. HARRIS: An additional con is that
22 implementation of this format could make it potentially
23 impossible to meet the January 2000 campaign filing deadline,
24 particularly for software providers, who would have a little
25 less time to test. And so it increases risk.

1 Another item is that the FPPC forms change process
2 will require programming modifications and more importantly
3 could force us to the Standards Committee for approval of
4 changes to the transaction set, which typically takes at
5 least six months, most likely significantly longer than six
6 months.

7 --o0o--

8 MR. COX: The next option is adopt a full EFPOC in
9 the native format. And what we're talking about in the
10 native format is that the CLAIMS System would read and write
11 all files and utilize the filings in EFPOC Format.

12 The pros we have, you know, the existing technology
13 partners have made an investment in the EFPOC Format and they
14 would be better able to adapt to this approach. It's more
15 literal to the paper version of the forms. In other words,
16 the data in the format is non-normalized. It's easier than
17 CAL or X.12 for the filing software vendors to implement.

18 Supporting a single format. This is as opposed to
19 doing a translation. It simplifies the implementation of
20 changes within the CLAIMS System. Filing entities
21 successfully use the EFPOC filings for doing test filings of
22 the Form 490 during the voluntary November '98 filing
23 period.

24 The cons. We'd have to develop a full EFPOC Format
25 for all of the 33 forms and validate each form. There would

1 be several months of delay in the release of the filing
2 format, design system, develop filing formats and testing of
3 the system.

4 The SB 49 budget allotment may not allow for
5 redeveloping some portions of the system that weren't
6 proposed to be redeveloped. There may be delays in
7 implementation which could delay or jeopardize filing.

8 --o0o--

9 MR. COX: The format definition with a
10 non-normalized filing format will be extremely large and it
11 adds to the development risk of the CLAIMS System. And there
12 would be increased maintenance costs for SOS and the filing
13 software vendors in maintaining a large filing format.

14 --o0o--

15 MR. COX: Adopt full EFPOC, EFPOC Native Translator.
16 This doesn't affect the existing system components beyond
17 what's been planned. It's more literal to the paper versions
18 of the forms. And it's easier than CAL or X.12 for the
19 filing software vendors to implement.

20 The cons. We still have to develop a full
21 definition of an EFPOC Format and validate it. Delays in
22 release of the filing format, delays in the design to include
23 a translator and then acceptance of the test filings would be
24 delayed until the translator can be implemented and the
25 formats designed. And the budget may not allow for

1 redevelopment, again, with portions of the system.

2 Next slide.

3 --o0o--

4 MR. COX: Another pro is the filing entities have
5 successfully used EFPOC Format during the voluntary '98
6 formatting.

7 Cons. There's an increased level of complexity and
8 potentials for errors with the extra layer of conversion
9 within the CLAIMS System. We would have to make, if we
10 maintained a different format internally, then we would have
11 to make changes to both formats if the FPPC forms changed.
12 And also there's additional software that would have to be
13 changed.

14 --o0o--

15 PROJECT MANAGER KAWANO: Next slide.

16 This fifth consideration on the approach is to adopt
17 CAL and fund private vendors to translate their own software
18 to be compatible. And this is an approach that the FEC took
19 and was able to accommodate.

20 The pros on this is all items in the pro column, of
21 course for CAL, would be adopted. And it encourages vendors
22 to help in supporting CAL in an effort to keep the project on
23 track. It addresses issues we have that vendors may have
24 with limited funding for development and conversion to
25 accommodate CAL.

1 On the con side, a legal issue, is it a gift of
2 public funds? That's what we're going to have to answer.
3 Contract-related hurdles and procurement; it opens you up for
4 protests; it's long delays; and how do we base our evaluation
5 -- what are we going to base our evaluation on to award.

6 We can't restrict the number of people that we award
7 this contract to, so it's unlimited. And then finally, our
8 -- the SB 49 budget allotment does not allow funds necessary
9 for this option.

10 Okay, next slide.

11 --o0o--

12 PROJECT MANAGER KAWANO: Filing format concerns.
13 There's four concerns that have been brought to our attention
14 to date or we have seen to date.

15 The first one is a filing amendment process. Not
16 extending EFPOC Format, filing format, and not being X.12 and
17 then the ownership of the filing format.

18 Next slide.

19 --o0o--

20 MR. HULSE: The filing amendment process. One thing
21 that I want to clarify on this first slide is that this has
22 been a very contested point. And it is open-ended right now.
23 We are considering all options. We haven't committed to any
24 process at this point.

25 We're actively seeking input related to this issue.

1 The amendment process has the following basic enforcement and
2 disclosure requirements; determination of which transaction
3 has been added, modified or deleted by the amendment, method
4 of uniquely identifying each amendment to prevent duplicate
5 posting of filings, ability to maintain an accurate filing
6 history, and an ability to accurately match electronic filing
7 data with corresponding paper filing data.

8 We are currently discussing the options within the
9 development team. And we'll post further information on the
10 web site. And we encourage, again, feedback from the public.

11 --oOo--

12 MR. COX: Not Extending The Existing EFPOC Format.
13 The CLAIMS System currently is planned to support the EFPOC
14 490 filings. Full compliance with the original EFPOC
15 standard would be expected in this. I think in the test
16 filings there were a number of waivers granted. There has
17 also been some vendor concerns about the EFPOC issues raised
18 and those would have to be incorporated or dealt with in the
19 490. Also, it would have to be modified to support the
20 amendment process.

21 In addition, we're evaluating adding support for the
22 San Francisco 419 and 420 style EFPOC filings. We're also
23 defining and adding support for the form -- defining and
24 adding the Form 405 for the amendment process. And then
25 also, as you saw from the prior discussion, we're looking at

1 the option of accepting EFPOC or defining and accepting EFPOC
2 for all filings.

3 --o0o--

4 MR. HARRIS: Another issue that was brought up is
5 that the filing format that we suggested is not X.12. X.12
6 is being considered as one of the possible filing format
7 alternatives. As stated earlier, there are a number of
8 concerns related to X.12. And we are developing a system in
9 a way that it will be possible for us to efficiently add
10 support for X.12 in the future if it's not chosen as the
11 format for 2000.

12 --o0o--

13 PROJECT MANAGER KAWANO: The ownership of Filing
14 Format. The Secretary of State is required by SB 49 to
15 define the electronic filing format. The format that's being
16 developed by this CLAIMS team is for California. There are
17 no copyrights or other intellectual property restrictions on
18 the use of this format. And the format is in the public
19 domain.

20 Right now, what we'll do is kind of stop the
21 presentation and I want to open it up for discussion. There
22 was a piece of equipment, an overhead projector that I'm
23 going to have to go and hunt down, but I'd like to open it up
24 for -- oh, we do have it. We should set that up then and I'd
25 like to open the floor.

1 Please, any comment.

2 Mark Rivas and Harvey Tsuboi will come around with
3 the microphone and we'd like to make sure that you identify
4 your name and the company you're affiliated with.

5 MR. COX: There's a gentleman in front, Harvey.

6 MR. FERGUSON: My name is Jim Ferguson. I'm
7 actually here on behalf of the City of Oakland. We're
8 pursuing electronic filing ourselves for the municipal
9 elections. And as such, we'd like to take advantage of the
10 work that you all have done and be as compatible with it.
11 And I'd like to hear your comments on the different formats
12 from that point of view.

13 MR. COX: Well, I think that you can reuse.
14 Whichever format is chosen when the decision is made can be
15 reused by any venue within the State of California with the
16 forms being consistent.

17 MR. HARRIS: Or anywhere. And this style --
18 certainly code modules will be developed with any format.
19 They would likely be useful with slightly different formats
20 in other venues as long as the style was similar.

21 MR. HULSE: Is the City of Oakland mandated, at this
22 point, to have electronic filing by law?

23 MR. FERGUSON: No, it's not.

24 MR. HULSE: Are you considering a voluntary program?

25 MR. FERGUSON: We would consider a voluntary program

1 for at least one election cycle and then propose moving to
2 mandatory.

3 MR. HULSE: And there would be no threshold
4 compelling them. It would just be a matter of who would want
5 to participate.

6 MR. FERGUSON: Yes, that's right.

7 MR. HULSE: Have you talked with San Francisco, the
8 Ethics Commission in San Francisco yet?

9 MR. FERGUSON: We have talked to our counterparts to
10 some extent in San Francisco, yes.

11 MR. HULSE: Because they certainly have been a trend
12 setter in this area.

13 MR. HARRIS: They're here today.

14 PROJECT MANAGER KAWANO: Yeah, I would encourage
15 requests like that, if you're interested on how we would
16 proceed, we have a user group sheet and you're more than
17 welcome to join us for that, that way you can get input on
18 that.

19 MR. HULSE: There is a user's group sign-up sheet,
20 hopefully, at the table that you came in when you do leave.
21 If you wish to sign up, this will be a monthly meeting. Our
22 first meeting might be as early as June. And it would be a
23 place that you could give input and feedback to our
24 development process.

25 MR. HOWARD: Hi. Thad Howard, Howard Agency. One

1 comment and one question. Let me direct this to the FPPC.
2 Is SB 49 -- I apologize if it's in the bill, I didn't read it
3 as thoroughly as I probably should have. Is it an either/or
4 situation, do you file on-line and you file or do you file
5 on-line in conjunction with paper filings.

6 MR. HULSE: I can answer that. Basically, the SB 49
7 requirement is a transitional bill, in my mind, in terms of
8 electronic filing. SB 49 has a threshold requirement. On
9 the campaign side beginning January 1, 2000, the measure has
10 \$100,000 of activity in the elections cycle.

11 If you hit that threshold, you are to file
12 electronically. Now, you don't have to go back and file what
13 was filed before on paper, but from that point forward, in
14 terms of qualification, you file.

15 Simultaneously, you submit a paper filing. We will
16 always have paper filings coming into this system in the
17 sense that there will be filers that fall below the threshold
18 and will not be compelled to file electronically. But there
19 is, within SB 49, there is the view that we are to accept
20 parallel filings of electronic and paper filings for a period
21 of time until we deem that our system is solvent enough that
22 we can accept only electronic filings.

23 And, at that point, those filers that are compelled
24 to file electronically will not have to file parallel paper.
25 On the outset, the paper document for those electronic filers

1 is going to be construed as the legal document, not the
2 electronically filed one.

3 MR. HOWARD: And that \$100,000 threshold is money
4 raised or money spent?

5 MR. HULSE: Both. And then the threshold, as of
6 July 1st, drops to \$50,000 in the elections cycle. For
7 lobbying entities the threshold is \$100,000 in a given year
8 from January 1, 2000 through July 1. As of July 1, it's
9 \$5,000 in a given year, which will capture most of the
10 lobbying entities.

11 MR. HOWARD: And just a comment. You mentioned on
12 one of the cons on, I think it was EFPOC Format, about
13 searching for additional revenue, as a result, and it may not
14 be in the SB 49 budget. The budget hearings are going on
15 now, that if you were thinking -- I don't know what monies
16 you're talking about as what you will need, but if you're
17 looking for augmentation to that, now would be the time to be
18 talking to the Legislature, so that it's in next year's
19 budget.

20 MR. HULSE: At this point, we feel that the budget
21 that has been allotted, we can accomplish possibly almost all
22 the options that we had here. I think the budget issue is
23 raised over the idea of the additional funding. And I think
24 we're in a position where we probably can't pursue that, the
25 idea of funding filers to adopt the format.

1 PROJECT MANAGER KAWANO: Yeah. Best case scenario
2 is we're going to try to stick with the budget at hand.
3 We're not going to try to go -- I don't think it's necessary
4 that we have to go across the street.

5 Anything else?

6 MR. SHULEM: Mike Shulem, Data Plus Imagination in
7 Los Angeles. I don't have my FPPC schedule. In your project
8 schedule, you show the filing date of January 12, 2000 for
9 the first electronic filing. What is the reporting dates?

10 MR. HULSE: Actually, it's not January 12th.

11 MR. SHULEM: I'm sorry, January 27th.

12 MR. HULSE: And I think we made a -- I want to
13 apologize on the one slide, in terms -- I've noticed that we
14 said proposed SB 50 campaign filing electronic is due January
15 27th. That bullet saying proposed SB 50 was for the early
16 year-end and semi-annual.

17 Our first filing that we are going to be compelled
18 to file electronically is the first pre-election statement
19 for the 2000 election. When SB 49 was crafted, there was no
20 early primary. So what happened was we were assuming that
21 the first electronic filing would be 1/1 through 3/22 due
22 3/27.

23 Unfortunately, with the advent of an early primary,
24 it's only narrowed our ability to get this material out. So
25 the new first pre-election period is 1/1/2000 through

1 1/22/2000 due 1/27/2000. We're considering that the first
2 electronically filed document compelled by law.

3 MR. SHULEM: Okay. There were two or three other
4 items. You keep referring to this dot CAL Format as
5 non-proprietary. I don't think anybody is kidding anybody,
6 we've seen this format before. And it carries copyrights, for
7 instance, on the Illinois format that they are proposing
8 almost item for item. You see exactly the same layout
9 provided by, I guess it's SDR -- somebody that you folks are
10 dealing with.

11 So the question of fairness arises in regard to
12 their leg up in providing campaign software to their own
13 format, which you folks are attempting to utilize as some
14 industry standard, which obviously it is not. So I have some
15 concerns about fairness in regard to some of the vendors
16 involved here in California trying to provide their
17 conversion to somebody else's format. Would you like to
18 reply to that.

19 PROJECT MANAGER KAWANO: Yeah, that's a point well
20 taken. Wayne Cox, could you speak on that.

21 MR. COX: First of all, I think it's important to
22 note that we submitted a proposal in response to the
23 requirements for the CLAIMS System that was published by the
24 Secretary of State. Part of that proposal was to reuse
25 pieces of SDR's technology and the engine that processes

1 this.

2 The system itself is in use at the FEC. It's in use
3 in a number of -- it's in use in a number of state venues.
4 So there's a fair amount of experience with the system. The
5 system is accepting test filings and works very well.

6 We've talked with SDR and raised this issue. And
7 it's our belief that the filing format is non-proprietary and
8 we have issued a letter to the Secretary of State stating the
9 fact that it's -- that we hold no proprietary rights and that
10 we do not have any intellectual property connection on the
11 tool.

12 As I understand it, SDR technology is not currently
13 selling campaign filing software. They are focused in the
14 backend system market. So I don't believe there's any
15 vendors that are -- I mean I don't believe they have any
16 current clients in the state of California.

17 MR. SHULEM: Nor do they have any affiliates that
18 sell campaign software?

19 MR. COX: None that I'm aware of.

20 MR. SHULEM: The second item I'd like to bring to
21 your attention is the schedule. Having been in some of these
22 meetings from the very beginning, I do not recall the reality
23 of being able for you folks to establish a format and for us
24 as individual businesses to convert that format into a usable
25 capability in the time frame which your current schedule

1 indicates.

2 I, for instance, have 750,000 lines of C Code in my
3 database management program, which reads information out of
4 the database and writes it to various formats including
5 labels and letters and FEC and FPPC reports. You know, you
6 folks talk about the difficulty involved in going to X.12 and
7 the time element and the cost.

8 Turn the situation around and look at the other side
9 of the coin. We have exactly the same situation, only
10 usually a lot more complicated in doing exactly the same
11 thing as you folks say are impossible to do in the time frame
12 left to do it.

13 PROJECT MANAGER KAWANO: That's a very good point.
14 And that's the input that we need. We have members of the
15 Executive Steering Committee here. I can't give you a
16 rational answer right now, but those are the things, that
17 kind of input that we need, because that's what it's going to
18 take to make a determination on what we can do to hopefully
19 alleviate some of that pressure or see what we can do to
20 address those issues.

21 MR. COX: If I could also input. We have considered
22 that as well. And one of the things that we've been talking
23 about is the actual certification process, and the form sets
24 or groups of filing sets would be certified so that the
25 vendor wouldn't have to face an entire certification process

1 at the time and they don't have to certify the full CAL
2 Format.

3 In other words, if they don't want to do the
4 lobbyist portion, they could concentrate on the campaign
5 portion. If they don't want to do the campaign portion, they
6 could concentrate on the lobbying portion. And that groups
7 of filings could be brought up as they start to become
8 applicable based on the filing schedule and the vendors
9 certified over time to reduce the effort that's required as
10 part of their software development, because we do recognize
11 this is a big undertaking required by the law.

12 MR. HULSE: We're aware of the other impact and that
13 is that, as I pointed out before, we were assuming that the
14 first filing that you'd be subject to would be due 3/22. And
15 with the early primary, it's impacted you, it's impacted us.

16 In light of that, SB 49 gave us up to September 1st
17 to publish the file format. We really want to make an
18 attempt to publish it earlier. We're hoping to publish it as
19 soon as July to give you a little bit more leeway. And we're
20 very sympathetic with what you have to go through, but
21 there's no easy timeframe here at this point.

22 MR. HARRIS: The most critical factor for getting
23 that format fixed, though, is getting feedback so that the
24 format is vetted as fast as possible. And so it's really
25 important that we get your comments, hopefully in writing, on

1 any issues that you have with the formats at your earliest
2 convenience.

3 MR. SHULEM: Thanks.

4 PROJECT MANAGER KAWANO: Questions, questions,
5 issues.

6 MS. ALEXANDER: Hi. I'm Kim Alexander with the
7 California Voter Foundation. I wonder about the X.12. I
8 guess I'm a little bit confused. I know that there was an
9 effort that came together through COGEL, the Counsel on
10 Governmental Ethics -- I don't remember the rest of it.

11 Anyway, they started an X.12 process. And I guess
12 maybe there's multiple X.12 processes underway. But that
13 idea, behind that program, which Bob Stern was leading last
14 I heard, was to get states to work together on developing a
15 uniform filing format that could be adopted by jurisdictions
16 on the state, federal and local levels across the country, so
17 that we don't have to all keep going through this.

18 I guess is this X.12 that you're discussing
19 different than that process that's underway? Is there
20 anyone in the room who can maybe give some background on what
21 the status of that other process might be?

22 MR. HARRIS: X.12. We're talking about the same
23 X.12 framework, but there's a lot of misunderstanding about
24 how X.12 works. X.12 isn't a set file format that somehow
25 magically makes it so that you can make your software do X.12

1 and then somehow it can take files from any jurisdiction that
2 supports X.12 regardless of the differences between
3 California's filing requirements and some other states or the
4 FEC's.

5 And so there's a lot of individualized work that has
6 to be done in each venue. And the interoperability is real
7 limited from that. But we are talking about the COGEL
8 standard here or the same one that's developed by the COGEL
9 process.

10 MS. ALEXANDER: Is that process moving at such a
11 slow pace that whatever we develop here can't fit in with
12 that? I mean is there any flex -- I guess they're on two
13 different tracks right, what the California format track is
14 and what this bigger X.12 national track might be? But is
15 there -- is there some way that we can try to make what we do
16 compatible if there is a national standard that emerges that
17 people can work together on?

18 MR. HARRIS: I'm not aware of any state effort right
19 now to work on a standard together. And the FEC is starting
20 to look at implementing in 2000 or later. And this system is
21 being developed to be able to allow us to participate in that
22 process and incorporate whatever is developed under that
23 process.

24 But it seems like the process is broadening and is
25 maybe even more time intensive than it's been in the past.

1 And for us to tie this project to that broad process would
2 increase the risk of the project tremendously. And, you
3 know, we're actually getting the filing deadlines moved up on
4 us, not pushed back. And so being able to implement X.12 to
5 get those benefits of interoperability so that the effort is
6 combined is pretty remote right now.

7 MS. ALEXANDER: I'm also wondering is there a reason
8 why we couldn't have started this whole process a year ago?
9 Was there something in SB 49 that -- I mean, it seems like,
10 you know, the bill passed in late 1997 and we all knew this
11 was coming and it just seems a shame that we're rushing now
12 when we've known for awhile that we need to do all this.

13 MR. HARRIS: Right. But that standard didn't exist
14 a year ago. The X.12 standard hadn't been ratified.

15 MS. ALEXANDER: Yeah, I realize that. But separate
16 from that question, I mean I'm just saying for the sake of
17 developing a California filing format we've known since late
18 '97 that we need to develop a format.

19 MR. HULSE: What we did, at that point, Kim, is we
20 asked the vendor community to come forward and meet with us.
21 And we slowly but surely developed the EFPOC Format. We
22 developed that EFPOC Format to meet the needs of the general
23 election for 1998. And we looked at it as a transitional
24 format. It was a way to wet our feet.

25 Basically, we had been working since that point.

1 Our problem, at this point, is that, you're right, we had
2 very little time to fulfill what we need to do in terms of
3 the implementation, but we had to start this process the
4 beginning of this year.

5 MS. ALEXANDER: Okay. My last comment I wanted to
6 make in regards to the amendment process is that I appreciate
7 the four things that you listed out that we needed to keep an
8 eye on. And I agree that we need to preserve things like
9 being able to see what the original record was and, you know,
10 exactly what transaction was being amended.

11 And I just wanted to mention that I looked at the
12 FEC system that's in place right now for the presidential
13 filings. And if anyone has looked at it, you can see
14 already, I think, Bradley filed an amendment to his first
15 quarter '99 filings.

16 And it says very clearly on the FEC's web site
17 here's the original report and then here's another one. And
18 each report has its own number and it says this supercedes
19 this previous report. And it lists the number of the report.
20 And I thought it was a very clear way to understand that the
21 report had been amended and how you can see the original one.
22 I think that might be a good model for us.

23 MR. HULSE: Yeah, we want to keep that process in
24 place, too, in the sense that when an amendment comes in, it
25 is viewed on our web site as the current filing. In other

1 words, what remains in the last filing will come forward, but
2 what is changed then should be seen really as the most
3 current filing. And we will number the amendments. We will
4 keep them in order.

5 MS. ALEXANDER: Will we identify those as an
6 amendment? I mean, will you know that it has superceded
7 something else that is there?

8 MR. HULSE: Yes, most definitely. And there will
9 probably, in all essence, be a date sequence affiliated with
10 this anyway in terms of how it's coming in, in terms of our
11 electronic filing format we've wanted with the amendment
12 process to actually have them numbered so that when someone,
13 let's say, makes a submittal of a Form 490, we know that the
14 original submittal is not an amendment and that there would
15 be an area within the file format to indicate that. Then all
16 subsequent amendments should be numbered sequentially so that
17 we know this is amendment one, this is amendment two, this is
18 amendment three. And we're hoping to institute something to
19 that effect.

20 PROJECT MANAGER KAWANO: Over here.

21 MS. CRESPO: My name is Virginia Crespo. I'm with
22 the League of Women Voters. And I really am still a little
23 confused about why we have abandoned apparently the EFPOC
24 Format, which was used in the general election and we're now
25 doing something totally different or is that --

1 PROJECT MANAGER KAWANO: That's not completely
2 true. On this project and the way the project had to be
3 proposed and bidden out and everything, we accepted a bid
4 that the bidder, SAIC, proposed a custom off-the-shelf
5 software solution, which embedded the CAL Format. It has
6 been enhanced to meet some of the concerns and make it a
7 little bit more user-friendly for California.

8 EFPOC, the 490 Form, which was the only form that
9 was adopted, is still going to be used and is still offered
10 to all those that still have that in place. But we're --

11 MS. CRESPO: So we are going to have two formats
12 available, we're going to have EFPOC and the CAL Format?

13 PROJECT MANAGER KAWANO: Yeah, EFPOC for 490 until
14 people are ready to change or if you guys ever are going to
15 have to change the software. You know technology evolves,
16 changes, so, you know, I can't say how long that would be,
17 but, yes, the Secretary of State's Office is committed to
18 keeping the EFPOC Form 490 for life, I guess you could say.
19 So, in essence, yes, you're right, there may be up to two
20 forms that we have to maintain.

21 MR. HARRIS: We're also looking at supporting an
22 EFPOC style of the 419 and 420. That's under consideration.

23 MR. HULSE: And implementing a Form 405 amendment
24 process for the three.

25 MS. CRESPO: Thank you.

1 PROJECT MANAGER KAWANO: Anyone?

2 Harvey.

3 MS. WHITE: I'm Sheryl White. I'm representing
4 Statecraft today. Statecraft has 1,300 filers in
5 California. We were a technology partner last year. Over
6 half of the Committees that filed on the EFPOC were State-
7 craft clients including Gray Davis and Ming Chin of the
8 Superior Court.

9 (Thereupon an overhead presentation was presented
10 as follows.)

11 MS. WHITE: I'm going to try to keep this not
12 technical what I explain to everybody. There have been some
13 words bandied around and I think we need some definitions
14 here.

15 A non-proprietary standard is one that's gone
16 through a certification process. In the United States, for
17 electronic data interchange, that process is governed by the
18 American National Standards Institute. Their Accredited
19 Standards Committee for electronic data interchange is known
20 as X.12 and that's what you've heard referred to as X.12.
21 That is the only non-proprietary standard available.

22 EFPOC is what's known as a proprietary standard. It
23 was proprietary to the Secretary of State's Office. It
24 became a standard when the technology partners agreed to use
25 it and participated through a consensus process of what that

1 format was like.

2 The CAL Format is a copyrighted format. There is no
3 way to take that format and make it non-proprietary. The
4 developer can put it in the public domain, it doesn't make it
5 non-proprietary. And I will give you an example that I think
6 everybody will grasp.

7 Microsoft developed the Internet Explorer.
8 Microsoft has put it in the public domain so people can use
9 it for free. They can distribute it with no royalty, but it
10 doesn't make it non-proprietary and that's the same thing
11 with the CAL Format.

12 And for those of you who have or have not seen it,
13 Mike Shulem from Data Plus referred to the Illinois web site.
14 I downloaded this from the State of Illinois, Board of
15 Elections. You can see very clearly it says Copyright 1996
16 to '98 by SDR Technologies. They refer to this as Illinois
17 PDSERF plus.

18 --o0o--

19 MS. WHITE: These are the header files that are
20 copyrighted or published as copyrighted for the Illinois
21 format.

22 --o0o--

23 MS. WHITE: This is the CAL Format, which I
24 downloaded from the Secretary of State's web site.

25 --o0o--

1 MS. WHITE: When you line them up you can see that
2 they are identical. There is no way to take this format and
3 make it non-proprietary.

4 --o0o--

5 MS. WHITE: Now, the Secretary of State is asking us
6 to take this CAL Format and comment on it. What they're
7 asking the developers to do is to fix it, tell us what's
8 wrong with it.

9 This document I downloaded from the Secretary of
10 State's web site yesterday, this is the guide for
11 implementing the CAL Format. In looking at this first page,
12 this tells me that the person who did this doesn't understand
13 California filing.

14 If you look at the part where I've circled in green
15 as the ID number for this committee, 71609, you would
16 recognize that that can't possibly be an ID number for a
17 California report. They are six digits and the first two
18 digits represent the year in which the committee was formed.

19 --o0o--

20 MS. WHITE: This is the definition of a format for
21 Schedule A for 419. I personally think there's an
22 insufficient number of codes. It has three codes there,
23 recipient committee, individual, and other. All of these
24 filings are subject to the initiative process. There's
25 currently an initiative being qualified for the ballot that

1 would make it illegal for one candidate committee to
2 contribute to another candidate committee. Therefore, you're
3 going to have to track what kind of formed committee is
4 contributing.

5 If it's a candidate committee, it would be
6 prohibited to give to another candidate committee.
7 Therefore, that's another -- that's another code that would
8 be needed.

9 Check box, this one here. Whether a person is
10 self-employed or not is not a requirement in California
11 filings. If someone is self-employed, all you need is their
12 business name, not if they are self-employed. This is a
13 requirement that comes from another state.

14 Transaction type, Values D, third-party repayment
15 forgiveness loan, returned. I don't see a code for the
16 monetary contribution itself.

17 MS. ALEXANDER: Sheryl, I have a question.

18 PROJECT MANAGER KAWANO: Could you state your name.

19 MS. ALEXANDER: Kim Alexander, California Voter
20 Foundation. I'm not quite sure where you're going with all
21 this, but I appreciate the detail that you're going into.
22 I'm just wondering, on the question about self-employed. I
23 think it's true that you do have to identify who your
24 employer is. And if it is yourself, you have to put self.
25 Am I mistaken about that?

1 MS. WHITE: No, you're correct. You have to put
2 your business name or your dba. What's not required is a
3 flag if you're self-employed. This is an additional
4 requirement they're putting here. Are you self-employed, yes
5 or no.

6 MR. HULSE: This was an order to process the actual
7 filing. We've had to bring, in terms of EFPOC for instance,
8 the idea of R, I and O of a recipient committee, individual
9 or other. It's not required by the form and I know that we
10 had some feedback initially that if that's not required by
11 the form, it shouldn't be there. It's actually there to help
12 interpret the raw data stream that comes in. The same thing
13 with the self-employed.

14 MS. WHITE: Every vendor here has developed their
15 system in response to the Political Reform Act and the data
16 requirements of that act. If you want additional
17 information, I'm willing to collect it for you. We have to
18 know about it. If we don't collect it, we can't give it to
19 you.

20 MR. COX: Yeah, but the whole purpose of soliciting
21 this format two months prior to now is exactly so that we can
22 go through and get these kinds of issues. These kinds of
23 issues that you're pointing out are the same kind of thing
24 that went through EFPOC or any file format development
25 including X.12.

1 When you develop the implementation guide for X.12
2 to lay out, specifically tailor X.12 to the California venue,
3 you're going to go through all of these particular issues to
4 make sure the business rules and the FPPC --

5 MS. WHITE: One difference. Here's the difference
6 with implementing X.12. You're going to have someone who's a
7 data expert who's going to go to the regulatory agency, the
8 FPPC, and understand what the data requirements are. This is
9 going to be a person who does not have the vested interest in
10 what the data requirements or the format is.

11 MR. COX: Okay. But the person is going to make the
12 same mistake my programmer made when he put the wrong value
13 -- when he put the wrong value in the field, I mean, that you
14 illustrated. If you don't understand the business rules,
15 you'll make -- I mean if it's a Certified Data Expert.

16 MR. HARRIS: Part of the process we've had --

17 MS. WHITE: Additional --

18 MR. HARRIS: -- we had to go through is, we had
19 technical people working on electronic filing and the
20 business side. And bridging that is something that we all
21 have to do in automating this stuff. And in that case, that
22 was done by somebody on the technical side and, you know,
23 so --

24 MR. COX: That's why -- that's the first draft of
25 the document.

1 MS. WHITE: Two more comments.

2 MS. ALEXANDER: I have one other question about one
3 of the comments you made. You mentioned an initiative that
4 may be on the ballot. And I guess I just assume all of us
5 who work in this area know that the Political Reform Act is
6 subject to change by initiative just about every election it
7 seems. And I just wonder -- I would expect most vendors
8 would be prepared to deal with that fact, given the nature of
9 our political climate in California.

10 Am I mistaken about that? I mean, we can't really
11 anticipate what changes might come in the initiative process.
12 And even if they do, a lot of them get challenged in court.
13 And it just seems like it's going to always be a bumpy road
14 for all of us in this area. Would you --

15 MS. WHITE: Well, I would think since the Secretary
16 of State has three different categories for filings, 490, 419
17 and 420, that we'd have, at least, codes that reflect those.
18 These codes do not even reflect that.

19 And lastly on this to give you an example, Cum
20 Amount one and Cum Amount two do not appear on a Schedule
21 419. Those are strictly for candidate filings. And an A1
22 only has to do with a candidate, not a 419.

23 --o0o--

24 PROJECT MANAGER KAWANO: Do we get to keep copies of
25 this, Sheryl? And the reason why I'm asking, this is the

1 exact input that we really need.

2 MS. WHITE: Okay, yeah sure. You can keep these.

3 MR. KAWANO: Thank you very much.

4 MS. WHITE: Now, I want to talk about the amendment
5 process. In my opinion, whoever developed this amendment
6 process was dealing just with formware and not with
7 databases. What the Secretary of State named in the way of a
8 filing is much reduced from what vendors are required to do
9 for their clients.

10 It would take that -- I found it takes us at least
11 two election cycles, not two reporting periods, but two
12 election cycles, to make a major change in our software and
13 make sure it works correctly.

14 And I think you have two choices, a full replacement
15 period without tagging the individual records or tag
16 individual records and just send those changed records. We
17 can do this. It will just take us some time.

18 --oOo--

19 MS. WHITE: Now, my first exposure to electronic
20 filing was San Francisco. And this is a copy to the first
21 two pages of a document that I received from San Francisco in
22 October of 1994. And you can see it says PDSERF, Political
23 Disclosure Standard.

24 This is the second page. I would refer you to this
25 part down here, brief description of PDSERF. You probably

1 can't read it. I'll read it for you.

2 "PDSERF stands for Political
3 Disclosure Standard Electronic Reporting
4 Format. It was developed by a consortium
5 of software developers who desired an
6 industry-wide standard for electronic
7 filing of political information.

8 "This format utilizes EDI, the
9 Electronic Data Interchange, standards
10 developed and maintained by the
11 Accredited Standards Committee X.12 of
12 the American National Standards
13 Institute."

14 --o0o--

15 MS. WHITE: I did some research and found this was
16 not true. These are minutes from the X.12 Procedures Review
17 Board that took place in February of this year.

18 --o0o--

19 MS. WHITE: That's when the formal approval of
20 transactions that 113 for campaign reporting was done and
21 published for trial use.

22 --o0o--

23 MS. WHITE: For those of you who want to know what
24 it looks like, this is it.

25 What's required now for the Secretary of State to do

1 this format is what's called implementation conventions.
2 That is the guide and the directions for the programmers as
3 to what sequence to put the data in.

4 The FEC begins their implementation conventions in
5 60 days and Statecraft will be modifying its software for
6 its federal clients to accommodate the X.12. And we
7 recommend X.12 for the State of California. This is X.12.

8 --oOo--

9 MS. WHITE: This is proprietary and that's what the
10 CAL Format is.

11 MR. COX: So your definition of proprietary is
12 unique to California or unique to a particular venue?

13 MS. WHITE: Of proprietary?

14 MR. COX: Yeah, I'm not sure. We've had a lot of
15 correspondence of proprietary and I'm still not sure I get
16 your -- I mean I get the X.12 use of the fact that X.12 says
17 if it belongs to a particular venue and it's not standardized
18 across the entire nation, it's proprietary.

19 MS. WHITE: No.

20 MR. HARRIS: What is your definition of proprietary?

21 MS. WHITE: Proprietary means it is unique -- it has
22 not gone through a certification process by the American
23 National Standards Institute.

24 MR. HARRIS: So it has to be X.12.

25 MS. WHITE: It has to be certified. If you don't

1 want X.12, then you need to make another proposal to the
2 American National Standards Institute. There are EDifact.
3 It could have been in EDifact. The developers, COGEL, decided
4 to go with X.12. And California participated in that
5 process. And I would also like to point out that that
6 document was --

7 --o0o--

8 MS. WHITE: -- included in the Secretary of State's
9 RFI that was sent out to the vendors on this project on the
10 CLAIMS project.

11 I would like to point out one other thing in your
12 comments earlier about SB 49 saying that the Secretary of
13 State was to develop a non-proprietary format. It says
14 "define a non-proprietary format." It is impossible for the
15 Secretary of State to develop a non-proprietary format. It
16 would be proprietary by its very nature, as is EFPOC. It has
17 become a proprietary standard because the technology partners
18 participated and that's the difference.

19 Translators are not \$130,000. Translators range
20 from free for the most simple to about three to four thousand
21 dollars. With a company like Statecraft, it would cost us
22 \$5,000 and we would distribute it royalty free to our filing
23 clients.

24 I think one of the biggest advantages of X.12 is the
25 Professional Treasurers, of which I have 27, could submit

1 multiple filings with one transmission to your office. It
2 also gives them the ability to use a VAN, where they would
3 have a receipt from someone other than the Secretary of
4 State's Office. And having served as treasurer and being
5 very glad to have a receipt that the Secretary of State
6 couldn't find, it's very valuable.

7 Also for small filers, they can take the
8 implementation conventions and send to them that format to a
9 VAN. They don't need a translator where it costs them \$10 to
10 \$30. They would have a receipt. And the entire format is
11 validated before it gets to the Secretary of State's Office.

12 --oOo--

13 MS. WHITE: And this format does not change every
14 time you have an information requirement change. What
15 changes --

16 MR. HARRIS: Could I ask for a clarification. So SB
17 49 requires that we use a non-proprietary network, right, or
18 transmission method. So a VAN is proprietary or not
19 proprietary?

20 MS. WHITE: SB 49 does not require you to use a
21 non-proprietary transmission method. What they require you
22 to use is a non-proprietary protocol for transmission of the
23 data. That's the difference. You can set it up to accept
24 the X.12 directly into your system or we could set it up
25 through a VAN, any number of ways.

1 Does anybody have any questions?

2 PROJECT MANAGER KAWANO: Anyone else?

3 MR. MAJARIAN: I have some questions. Nishan
4 Majarian with NetFile.

5 PROJECT MANAGER KAWANO: We need you to use the
6 microphone, Nishan.

7 MR. MAJARIAN: What my question is --

8 PROJECT MANAGER KAWANO: Can you say your name,
9 again, please.

10 MR. MAJARIAN: Nishan Majarian with NetFile. My
11 question, Sheryl, is, so your concern is that we may be
12 adopting a proprietary format in California or copyrighting
13 format. And your suggestion is that we use a non-proprietary
14 format and then we send those non-proprietary formats through
15 a very proprietary network, and pay an individual fee for
16 every submission, is that what you're proposing?

17 MS. WHITE: No. And it's not my proposal that we
18 use a non-proprietary format. It is the Legislature's
19 mandate that we use a non-proprietary format. It could be
20 up -- they are using EDI, X.12 over the Internet now. The
21 communications and transmission, I think, is left open to any
22 number of possibilities. It could be done in more than one
23 way.

24 MR. MAJARIAN: So X.12 does not necessitate the use
25 of the current proprietary format. I'm just asking, because

1 we -- there's a lot of questions with regard to that.

2 MS. WHITE: I didn't understand the question. Could
3 you --

4 MR. MAJARIAN: My only concern is I would rather,
5 from our perspective, find a format that we can further
6 develop or enhance and utilize that format and then file
7 through the Internet as opposed to developing a new format,
8 which may or may not -- which, according to your definition,
9 is not proprietary, and then have all our operations dictated
10 to us through the filing portion of that, through a
11 proprietary network operated by a third party. And then have
12 our clients subject to a per filing fee, which will somehow
13 have to work into our price structure as well.

14 MS. WHITE: SB 49 does not preclude the Secretary of
15 State with continuing with the EFPOC Format. The EFPOC
16 Format, however, does not meet the criteria of SB 49. It's
17 not a substitute. It would be an addition to.

18 And again, the transmission method for an X.12, the
19 Secretary of State could design an acceptance system to
20 upload it automatically into their web site or I think that
21 filers should have the option to have a third party receipt.
22 The other thing is if you send it to a VAN, you can tell the
23 VAN to deliver it just on time, so it doesn't get posted
24 before the deadline. A VAN also has a mailbox where they
25 will archive the data for the filer. I mean there are lots

1 of advantages.

2 MR. MAJARIAN: And who operates the VAN?

3 MS. WHITE: There are about 12 vans, AT&T, MCI has a
4 VAN. There are dozens.

5 MR. MAJARIAN: Thank you. Are you submitting all of
6 this in writing so that we'll have a chance to review this
7 later.

8 MS. WHITE: Well, they're taking it down. There's a
9 transcriber here.

10 PROJECT MANAGER KAWANO: Any questions about the
11 file formats? In the back, again.

12 MS. WHITE: And I did tell you the FEC is proceeding
13 in 60 days with their implementation conventions.

14 MR. HARRIS: That's not when they're asked to make
15 completion, right?

16 MS. WHITE: I'm sorry.

17 MR. HARRIS: But their completion schedule is --

18 MS. WHITE: Well, it takes probably, depending upon
19 the complexity of the data requirements, and California's are
20 the most complex, probably take three to four months. And
21 then after that, the translators have to be done. But once
22 the implementation guidelines were done, then we could start
23 coding on our side.

24 MR. COX: But I guess the FEC also has an existing
25 system that currently accepts electronic filings. They're

1 not --

2 MS. WHITE: Yes, in a proprietary format.

3 MR. COX: But they're not attempting to develop a
4 system simultaneously with adopting X.12?

5 MS. WHITE: I'm sorry, say that again.

6 MR. COX: They're not attempting to develop a system
7 simultaneously with developing X.12?

8 MS. WHITE: It's been in place for about, I think,
9 three years. And part of the problem is in 24 months we had
10 three revisions on the format. I think with X.12 you're not
11 going to have as many revisions.

12 PROJECT MANAGER KAWANO: Kim.

13 MS. ALEXANDER: Yeah, Kim Alexander, again. I
14 thought -- I have a copy of the bill. And I thought maybe
15 since there was a little bit of confusion about what it says,
16 it might be helpful to just read the text on this issue. It
17 says, as part of the on-line filing process, those are my
18 words, "The Secretary of State shall define a non-proprietary
19 standardized record format or formats using industry
20 standards for the transmission of the data required of those
21 persons and entities specified in Subdivision A...." blah,
22 blah, blah.

23 So what I'm kind of hearing is there's like two
24 issues here, right. There's a question of what is the actual
25 record format or what I think can also be called the file

1 format. And then the question of how is the data transmitted
2 to the Secretary of State.

3 I'm not a super technical person, so I'm a little
4 bit confused at this point. But on the first question of the
5 record format, from what I've seen so far, it looks to me
6 that even if I don't want to use any of the vendors' software
7 that's out there, I could, conceivably, go to the Secretary
8 of State's web site, download or just make a copy in text of
9 the format, fill in the blanks according to exactly what you
10 said and submit it, I'm not sure what the submission process
11 is, and be in compliance.

12 And my great concern is -- and that doesn't seem
13 proprietary to me. I mean if all the code is -- it's not
14 even code really if it's all there. And I can submit it in
15 text and I don't even need a program to do that, which I
16 think is a situation we need to provide for. Some people
17 don't have to buy software if they don't want to.

18 You know, that seems to me that that's what we do
19 right now. And I want confirmation that that's okay. And I
20 also want to make sure that whatever the transmission process
21 is that's set up will allow for a person to do that. So if
22 there's someone who's got a, you know, \$25,000 campaign,
23 doesn't have a treasurer, isn't buying software, but wants to
24 file electronically is able to do so without having to buy
25 software, without having to pay a fee for every transaction.

1 I'd like to hear what the Secretary of State's staff thinks.

2 MR. HARRIS: Well, let's see. We're aware that
3 recently San Francisco tried to develop a process where
4 people could basically do that kind of one-off filing, where
5 they basically hand compose their filing in Excel. And like
6 you said theoretically, they could have done that in that
7 process with a word processor or something like that, if they
8 coded it wrong.

9 And there's some challenges with that. And one of
10 them is that you end up with a unique product every time and
11 new bugs introduced every time somebody does that. And I
12 think that might be why, I believe if you read a little
13 farther down in SB 49, there's a requirement that the
14 Secretary of State certify software, so that there is some.
15 But it doesn't say that necessarily that it's -- that it had
16 to be for a fee software.

17 I suppose, you know, we've heard people talk about
18 they might give away free software or something like that.
19 So it doesn't say that it's for free or pay, but I don't
20 know. Do you have the clause there?

21 MS. ALEXANDER: I'm not talking about Excel. I'm
22 saying if you specified a record format and it says, as your
23 format now says, you know, for Schedule A, Contributions,
24 it must look like this, and not using Excel, but just using
25 exactly what you said, use that to enter my records. And I

1 do it according to your format and submit to you, you know,
2 in simple text or whatever exactly according to the format
3 that you have, it seems to me that we should be able to allow
4 for that. I mean it's --

5 MS. WHITE: I think I can clarify this for you,
6 Kim.

7 MS. ALEXANDER: Yeah, thanks.

8 MS. WHITE: With X.12 the implementation conventions
9 are for a comma-delimited text format.

10 MS. ALEXANDER: Right, okay.

11 MS. WHITE: Anybody could take that text format and
12 create their filing if they had their own program, their own
13 spread sheet, et cetera. If they send it through a VAN, it
14 could be validated without having software being certified.
15 But they couldn't send to the Secretary of State's Office
16 without having the product that created it being certified.

17 PROJECT MANAGER KAWANO: But, you know, Kim, to get
18 back to the comment that you made or the question that you
19 asked, your answer, in essence, what the Secretary of State
20 would pose is yes, you could copy something. You could send
21 it. You've got to transmit it electronically. If it comes
22 in fax, is that an electronic submission? I don't know. You
23 know, there are vehicles that you could transmit
24 electronically to get it here. And would that be within the,
25 you know, grounds of the law, SB 49?

1 We're proposing a file format for the specific
2 reason that there are reports that we're trying to gather.
3 There's information that we want to provide. And if we
4 provide it, if it's provided to us in an electronic format
5 and in the form of a file comma-delimited format or
6 something, then we're able to take in that data, disperse it
7 and provide it out.

8 MS. ALEXANDER: Okay, well, it doesn't seem to me
9 that we have to -- I mean, I don't know what to think about
10 the whole X.12, EFPOC, CAL controversy. But whatever the
11 solution is, I hope that we can come up with a format that
12 will allow for text, you know, a basic text submission, if
13 possible. That's what I would like to see.

14 PROJECT MANAGER KAWANO: That's a good input.

15 MR. SHULEM: Mike Shulem, Data Plus Imagination. I
16 think that's somewhat misleading, quite frankly. You've
17 given us a document with a hundred pages or so on file
18 formats. And for you to say that you think somebody could
19 sit down either over the Internet or on their word processor
20 and fill out the information necessary to put this in the
21 established format and send it into the Secretary of State, I
22 think, is somewhat misleading.

23 MS. ALEXANDER: Well, you wouldn't want to.

24 MR. HARRIS: That wasn't my recommendation at all.

25 MR. SHULEM: Well, that isn't what I just heard from

1 the podium.

2 MR. HARRIS: I don't think that's what he intended
3 to say.

4 PROJECT MANAGER KAWANO: Yeah, what I was trying to
5 say is that electronic transmission, how you're going to send
6 it, it's vague enough. SB 49 doesn't specifically say it has
7 to be done via the Internet, via VAN or anything.

8 MR. SHULEM: We're not talking about the
9 transmission of the data. We're talking about the creation
10 and validation of the data.

11 PROJECT MANAGER KAWANO: Okay.

12 MR. COX: I'd also like to point out all three
13 formats are comma-delimited ASCII formats, X.12, EFPOC.
14 They're all similar in that manner.

15 PROJECT MANAGER KAWANO: Any other comments?

16 MR. KIMBALL: I'm Kelly Kimball and I'm Chief
17 Executive Officer of SDR technologies, apparently the
18 copyrighted format owner. And I'd like to say that what we
19 copyright is our documentation. Our documentation is most
20 certainly copyrighted and that's what was shown to you today.

21 In that documentation it does contain the formats
22 that we've used. We've never claimed ownership to any
23 format. We have never charged anybody for use of any
24 format. But if there is any question as to whether or not
25 SDR does, in fact, own this format or any format out there,

1 we have engaged our intellectual property rights attorney to
2 advise us on how do we get rid of it.

3 And it's the damndest thing. It's the most
4 difficult thing we've ever done is try to get rid of it. But
5 no matter what we try to do, somebody comes back and says no,
6 there's a TM somewhere or copyright information as if we've
7 registered it somewhere.

8 And we have written a letter to the Secretary of
9 State regarding the CAL Format that releases any, and we
10 don't believe we have it, but releases any proprietary
11 interest in this format into the public domain. That means
12 you, Sheryl, you own it. That means everybody here owns it
13 and nobody owns it. You're allowed to take that into the
14 City of Oakland. You're allowed to take that in Zimbabwe and
15 do your own format with it. You can tear it apart and put it
16 back together again and it's everybody's format. It's an
17 open standard.

18 And that's what the Secretary of State requested,
19 that's what the SAIC and SDR has given them. And if there's
20 anything I'm not doing legally to put this in the public
21 domain, there are enough lawyers in this room, please tell me
22 what else I have to do.

23 Thank you.

24 MS. WHITE: Putting it in the public domain does not
25 make it non-proprietary.

1 MR. KIMBALL: You have a definition of proprietary
2 that we disagree with, Sheryl. And I think the lawyers for
3 the Secretary of State staff and your lawyers should probably
4 get together and discuss this. But as far as SDR's
5 ownership, I'm talking about SDR's ownership of the format,
6 how do I unown this format, is it possible?

7 MS. WHITE: I don't think so.

8 MR. KIMBALL: That's the damndest thing I've ever
9 done. I sold a car the other day. I could actually get rid
10 of that. I can't get rid of this.

11 (Laughter.)

12 PROJECT MANAGER KAWANO: Any other comments?

13 In the back over there.

14 MR. MONTGOMERY: Hi. My name is Dave Montgomery.
15 I'm with NetFile. A few weeks ago we submitted a document to
16 the Secretary of State regarding a number of issues that we
17 have in the current CAL Format as proposed through our
18 participation in the users group.

19 For the benefit of the folks that aren't
20 participating in the users group, I'd like to outline some of
21 the technical issues we have with the current CAL Format.

22 First and foremost, our objections are currently
23 centered around the amendment process. For the benefit of
24 everyone here, I think I should reiterate what we currently
25 perceive the amendment process as specified in the CAL

1 Format.

2 Right now, as proposed, every amendment that is
3 filed would be a replacement document for all the previous
4 documents covering the same period of time for the same
5 form. Within the amended document, there would be a record
6 not only of any additions, changes or deletions of prior
7 records maintained in previous filings, there would also be
8 records within the amended document indicating what those
9 deleted changes or non-existent -- deleted or changed records
10 would have been in the prior document.

11 So, for instance, as I currently understand it, in
12 the rendering engine that will be used by SAIC, SDR, they
13 will be taking an amended document, they will show the
14 original transaction as submitted by the filer in their
15 original filing, they will X out that changed transaction and
16 they will be providing a list of all amendments to that
17 record which have occurred since the original filing, be they
18 changes or deletions.

19 Now, our issues with that methodology are many, but
20 we have two primary points of interest. One is as filing
21 software vendors, we must maintain two separate electronic
22 disclosure reporting engines, if you will, one of which will
23 be used to generate original submission documents to the
24 Secretary of State. The second print engine that we'll have
25 to maintain will be strictly geared towards producing amended

1 documents.

2 And let's take, for instance, a simple Schedule A,
3 where you have a list of contributions received from various
4 individual contributors, just about the simplest Schedule A
5 you can imagine. To print out the original document, what
6 we'll ask our backend database to generate is a list of all
7 contributions received from contributors over the reporting
8 period that meet the reporting threshold of \$100 or more
9 cumulative for the current year.

10 If we produce an amended document using the current
11 proposed CAL Format, we would be required to ask our database
12 for all contributions received that have not changed since
13 the original filing of the document, we'll have to ask the
14 database for any added records which have been added to the
15 Schedule A since the last submission, any changed records
16 which have been changed since the last submission, and any
17 deleted records which have been deleted since the last
18 submission, because we're required to flag each of those
19 records in the data set as being either added, changed or
20 deleted or indicating whether or not they have ever been
21 changed at all.

22 The problem for me, as a software developer then, is
23 maintaining two separate code bases, one geared towards
24 original submissions and one geared towards amended
25 documents. And as a software vendor, as a small software

1 vendor, we do not feel that this is something that fairly
2 considers the amount of effort that goes into maintaining
3 filing software that works in this state, given the
4 complexity of disclosure law here.

5 Our next issue with the amended formats is that when
' 6 our customers, our clients submit an electronic filing in the
7 State of California, they want that electronic filing to
8 exactly represent the paper document that they are submitting
9 to the Secretary of State's Office.

10 In the current proposed format, our clients will be
11 submitting a paper document which shows all the transactions
12 they're currently reporting, but the electronic document will
13 also be showing the original transactions that they're
14 adding, changing -- or that they're changing or deleting in
15 addition to a history of every change or deletion to that
16 record, which will then be rendered on the Secretary of
17 State's web site in their imaging format.

18 Now, the problem with that is you're going to have
19 people who think they are submitting one paper document and
20 are viewing a completely different document on the Secretary
21 of State's web page, which will create a great deal of
22 consternation among treasurers in this state, I think.

23 What we're proposing is a way of revising the
24 current amendment process so that it might be able to work
25 for other software vendors as well as ourselves and that

1 would be to uniquely index every record in the electronic
2 filing document with a unique index number, which would not
3 change for all submissions of the same document covering the
4 same reporting period for any -- for an infinite number of
5 submissions of that document.

6 That way the Secretary of State's backend software
7 can evaluate each submission as they arrive and use a simple
8 comparison of all records, which maintain the same index, to
9 see if it has been changed, deleted or remains the same.

10 It's a relatively simple concept. We think the CAL
11 Format right now introduces an unnecessary level of
12 complexity. It introduces an unnecessary number of fields
13 that are required for us, as software vendors, to maintain.
14 In addition, it also requires us to maintain copies of all
15 records that have been changed or deleted by our users, which
16 also provides for a very onerous requirement.

17 And also it increases the sophistication required of
18 our end-users to know exactly when, on what date and what
19 time, they sent a submission to the Secretary of State's
20 Office last, because they need to tell our software, okay,
21 this was the last time that we produced a data set for the
22 Secretary of State's Office, what has changed or been added
23 since. So it increases the requirements of users in the
24 marketplace. And that's what we have to say about amendments
25 right now.

1 In addition, we also have some issues with some of
2 the seemingly arbitrary means of handling data within the CAL
3 filing format. In particular, we are concerned about the
4 practice of delimiting names, using an arbitrary delimiter
5 like a caret by defaulting the SDR current format. We would
6 like to see that means of storing a name in one field using a
7 caret delimiter Mr. or Mrs., first name, last name and then
8 junior, the third or whatever.

9 We'd like to see that changed from having a single
10 field delimiter to having four fields representing those same
11 data fields, so that SDR's backend software will
12 fundamentally be doing the same thing. It will be
13 conditionally evaluating whether or not there are data --
14 there are elements of data within the field to render onto
15 their print end. And it will not greatly complicate their
16 lives and it will greatly simplify ours to go with something
17 more standardized like containing the same information in
18 four separate fields rather than trying to jam it into one
19 field.

20 And that's what we currently have to say about the
21 CAL Formats proposed. Those are our major issues. We have a
22 variety of other minor issues, but those can be resolved
23 throughout the normal course of the users group.

24 Thank you.

25 MR. COX: I think both of those issues are

1 definitely workable and open in the discussion. I know with
2 the amendment process, we knew that whatever process we put
3 out was going to be an item of contention with the vendors.
4 And really that was something that we needed to hammer out,
5 really needed to hammer out as a group.

6 We are looking at the impacts of what would happen
7 with the disclosure portion of the system if we had to not
8 have that additional information.

9 MR. HARRIS: One of the toughest parts of the
10 specification is when we did the EFPOC project. We actually
11 had to just completely abandon the amendment logic in order
12 to make sure that all technology partners would participate.
13 And FEC has found some challenges with the amendment process
14 they adopted and so we were really looking for a different
15 approach. I'm not positive that we found a better one.

16 MS. WHITE: This is Sheryl White again. I have a
17 question for you. Part of the problem for not using X.12, at
18 this point, is the timeframe with which you have to implement
19 the system. Could not the Secretary of State go back to the
20 Legislature, set back the date for the non-proprietary
21 filings to the general election and use the EFPOC for the
22 primary, is that not an unreasonable path?

23 PROJECT MANAGER KAWANO: Taking these comments today
24 and the input that you're giving, these are the issues that
25 we have to bring up and provide to the Executive Steering

1 Committee.

2 MS. WHITE: So will you present that to the Steering
3 Committee on my behalf?

4 PROJECT MANAGER KAWANO: Thank you.

5 In the back.

6 MR. MAJARIAN: Nishan Majarian, again, with NetFile.
7 From our perspective -- and I think we'd like to clarify. We
8 were technology partners in the EFPOC process. And we
9 understand that you all came to agreement on a format and
10 then you spend some time hashing out your issues with the
11 format, then making it better.

12 If we stay with EFPOC, we've got 419, 420, 490
13 pretty much done. We still need to go into the lobbyists and
14 redevelop all the lobbyists. That's going to take time and
15 we're going to go through this process again.

16 If we go with CAL, CAL is close to a workable
17 format. If we can address some of the major issues that
18 David just outlined, CAL can be a working format. We can get
19 in there and have it adopted, and I'm speaking for my company
20 only, very, very soon, if we can address some of the main
21 issues.

22 X.12 is a completely unknown format for a lot of the
23 vendors in California. If you were involved in the EFPOC
24 process, you didn't utilize it. If you were involved in
25 other states, you haven't utilized it. It's a completely new

1 system. And we are going to have to go through this process,
2 again, with X.12, going through all the issues, hashing out
3 all of the concerns. We would essentially start anew.

4 And as far as NetFile is concerned, we'd rather
5 focus on one of two formats, either EFPOC or the new CAL
6 Format. Either one can work for us, if we can address the
7 issues that are -- that we, again, just outlined in the CAL
8 Format.

9 PROJECT MANAGER KAWANO: Thanks for your input.

10 Anyone else?

11 More comments?

12 Can we turn on the projector, again.

13 Next slide.

14 --o0o--

15 PROJECT MANAGER KAWANO: At this point on the
16 agenda, Alfie Charles was going to be asked to come up. I
17 have an urgent appointment, but I have time now, because
18 we're running a little ahead of schedule, so I'll continue.
19 And, Alfie, you lucked out.

20 Anyway, so where do we go from here? We got a lot
21 of input today, a lot of comments made. You're going to have
22 more. You're going to look and you're going to digest this
23 presentation. You're going to have more questions and we
24 really want to hear the questions, the input, the concerns.
25 We have to hear it.

1 But we have a timeline we're trying to meet. It's
2 not that we're not going to accept anything after the 25th,
3 but we're urging you please, please, please get it to us by
4 the 25th. We have to compile this information. I'm going to
5 ask Peters Shorthand to get it to me real soon, but he's
6 going to tell us that he can do it, too. But we're going to
7 have to look at all this and compile it.

8 If you provide it via Email, that's wonderful.
9 We're going to give our Email address for Dave Hulse and
10 myself, it's on the next slide. But if you have it in
11 writing send it to 1500 11th Street, Sacramento 95814,
12 attention David Hulse. If you attention it to anybody in
13 this building, I'm sure we'll get it, but David Hulse,
14 please.

15 And then our commitment from the project team, the
16 resources, the individuals that are part of the project team
17 that developed the software application and other members
18 from the FPPC and FTB, we provide a recommendation of our
19 findings -- I take it back. I'm sorry. We provide our
20 findings to the Executive Steering Committee who will then
21 have to digest all this and make a recommendation of the
22 anticipated format, okay, to the Secretary of State by next
23 Thursday, okay.

24 We are putting time constraints in an effort to move
25 along, we have to get software developed. We want to provide

1 as much time as possible for all of us out here that are
2 going to have to go back to the drawing board and do work on
3 something to get it done. Okay.

4 Next slide.

5 --o0o--

6 PROJECT MANAGER KAWANO: Once again, our contacts,
7 David Hulse or myself, I'm Steve Kawano. That's the
8 information right there. We had a sign-up sheet for a users
9 group. We encourage you, if you want to become a part of the
10 users group, we'll provide all the information we can. We
11 will work to try to see if we can fit it around everybody's
12 schedule to become a part of this users group.

13 We created this. This was created for the CAL
14 Voter, our CAL Voter System and we have it ongoing for our
15 CAL Voter II Project. And we want to encourage this for
16 CLAIMS. I know I'm the project manager for CAL Voter. It's
17 very, very necessary to get user input, okay.

18 --o0o--

19 PROJECT MANAGER KAWANO: And that's all. The last
20 slide that we had, it was kind of a continuation -- kind of a
21 visual diagram of the proposed final format approach versus
22 the X.12 approach. That's for your information that we had.

23 I thank you very much for attending and taking time
24 out of your day.

25 Thank you.

1 (Thereupon the SB 49 Public Hearing concluded
2 at 11:45 a.m.)
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1 CERTIFICATE OF REPORTER

2 I, JAMES F. PETERS, a Certified Shorthand Reporter
3 of the State of California, and Registered Professional
4 Reporter, do hereby certify:

5 That I am a disinterested person herein; that the
6 foregoing Secretary of State SB 49 Public Hearing was
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8 Shorthand Reporter of the State of California, and thereafter
9 transcribed into typewriting.

10 I further certify that I am not of counsel or
11 attorney for any of the parties to said hearing nor in any
12 way interested in the outcome of said hearing.

13 IN WITNESS WHEREOF, I have hereunto set my hand
14 this 21st day of May, 1999.

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