

**2024 House Appropriations Committee Budget Hearing
February 27, 2024**

**Testimony of Secretary of the Commonwealth Al Schmidt
Pennsylvania Department of State
Fiscal Year 2024-2025 Budget**

Good morning. Thank you for your invitation to appear before the Committee to discuss the Department of State's (Department) 2024-2025 Budget. Joining me today are Deputy Secretary Kalonji Johnson; Deputy Secretary Jonathan Marks; Bureau of Finance & Procurement Director Kim Mattis; and Acting Commissioner of the Bureau of Professional and Occupational Affairs Arion Claggett.

As you know, the Department's mission includes ensuring the integrity and security of Pennsylvania's electoral process, supporting economic development through business registrations, and protecting public health and safety by licensing certain professions, facilities, and occupations.

Ensuring Electoral Integrity and Security

The Department is working closely with counties to prepare for the 2024 elections. This includes replacing the computers counties use to access the SURE system and upgrading network connections between county election offices and the Commonwealth, as the existing computers and the network connections provide relatively low network bandwidth. These upgrades will increase network bandwidth at least 50x, which will provide counties with greater network speed which will allow them to complete election tasks in the SURE system more expeditiously. To date, new computers have been installed in 66 of the 67 counties and the network upgrades have

been completed at 16 locations in 14 counties, with another 42 locations in progress. We expect the computer upgrades to be 100% complete in March and the majority of the network upgrades before the April Primary.

With the turnover in county election staff that has occurred over the past several years, the Department is also prioritizing training for county election officials. We recently hired an experienced training manager leading a team dedicated to supporting our county partners, and the Elections Bureau is working to solicit feedback from counties on their unique needs, create a comprehensive calendar of duties and deadlines, provide significantly more online training opportunities and resources, and increase outreach to counties with new election directors. We have also reviewed and updated much of our written guidance to counties including new and improved checklists for a variety of critical election season functions.

The Governor's Budget includes funding for seven positions in the Elections Bureau to support our division of elections technology and security. As elections become increasingly technical, the Department needs to add qualified specialists to its complement to better assist county election officials as well as the citizens of the Commonwealth. We are simply understaffed in this area and must take steps to bolster the Department's technical expertise and capabilities in elections administration.

Additionally, the actions of Pennsylvania's county elections officials are increasingly under the microscope: every election brings new scrutiny, particularly regarding technical aspects of the election process. The Department of State must expand its internal experts to assist counties, collect and analyze election-related data, and support responding to public inquiries. These positions will invaluablely aid the

promotion of secure and fair elections by supporting the counties as they administer elections and helping to problem solve and respond to unexpected challenges or issues. This will permit the Department to stay ahead of potential threats or (far more costly) litigation.

This budget also includes \$5 million for voter registration and education. Voter outreach and education is especially critical during presidential elections when voter turnout and attention are at their highest. The Department is a trusted source of information for Pennsylvania voters, and it must have the resources to reach voters all throughout the state and educate them on voting rights, the election process, and election security. This work is even more pressing today in the face of increasingly sophisticated and widespread misinformation. The Department will use this \$5 million on non-partisan and civic education around election administration.

We are very proud of the Department's and the counties' efforts to administer safe and secure elections across the Commonwealth of Pennsylvania. Over 3.1 million Pennsylvanians cast their vote in 2023. Nearly 2.3 million voters decided to vote in-person on election day, and 830,000 voters decided to vote by mail. The Department announced redesigned mail ballot materials in November 2023 to decrease voter confusion that can lead to completed ballots being rejected and assisting county election workers in efficiently processing mail-in ballots. These changes included more easily identifiable secrecy envelopes, standardized instructions, highlighting the voter declaration where the voter must sign and date, and colorized outer envelopes to help postal employees expediently identify and deliver ballots. We want to ensure that every voter who chooses to exercise their right to vote can do so seamlessly and safely.

Earlier this year, the Department implemented a new initiative using data from the United States Postal Service's National Change of Address program to directly reach out to voters who have reported that they moved to a new county or state. The Department delivered these voters a mailer with a pre-paid return envelope to their new address, giving the voters the opportunity to report to their county of registration that their registration has changed or should be canceled. We are pleased to announce that we have received a significant number of responses returned in the first few weeks. This will help to ensure Pennsylvania's voter rolls contain the most accurate information possible.

Regulating Professions

The Department's Bureau of Professional and Occupational Affairs (BPOA) has spent the past year diligently improving its processes and procedures. As a result, the wait times for issuances of licenses, license renewals and license reactivations have been slashed throughout BPOA. For example, as of the beginning of this year, we have improved licensing processing times by more than 50% for real estate professionals, auto dealer professionals, pharmacists, dentists, doctors, and cosmetology salon and barber shop owners. Part of the BPOA success story is related to increased collaboration with our HR team. Since the beginning of the Shapiro Administration, we have an additional 35 positions filled at BPOA and are at the highest level of filled complement since 2021. Much of this improvement was fueled by Governor Shapiro's Executive Order 2023-07 which identified the Department as responsible for more than half of the license types issued by the Commonwealth. Although EO 2023-07 entitles license applicants to a fee refund if processing the application takes too long, the

Department is proud to report that it has not yet been required to issue any refunds because we have continually met our promised timeline for reviewing licensing applications. This alone is a huge improvement for the Bureau and for our customers.

We are not resting on these accomplishments. To further improve our customers' experience, BPOA is piloting a mini-call center in Pittsburgh, opening this Spring, focused on enhanced customer service for the State Board of Nursing.

And we continue making progress on modernizing our licensing system. On September 28, 2023, the Department released a Request for Proposals for an entirely new e-licensing system to replace the current PALS system used by 29 occupational licensing boards and commissions. We received proposals by the November 30, 2023, deadline and are currently in the evaluation process. We expect to have a contractor selected by this Spring, with contract execution expected shortly thereafter. The Department requested \$10 million to fund this effort over the next year. The Department remains committed to working with stakeholders, including licensees, trade organizations, hospitals and health systems, educational institutions, and our respective oversight committees in the General Assembly to ensure that the final product meets the needs of the Department, its boards, and our licensees and public, who will all interact with the system.

The Department is also working to update the database used by the Bureau of Notaries and Commissions, which shares infrastructure with the professional licensing database. To that end, we are working to replace our current notaries system in parallel with that of our occupational licensing system. The Department requested \$1.75 million

in funding to ensure Pennsylvania is able to keep pace with other states and continue to provide necessary services to our notary community.

Improving Business Registration

The Department's Bureau of Corporations and Charitable Organizations (BCCO) maintains a database of more than 4 million registered businesses in the Commonwealth. Last fiscal year, BCCO processed over 400,000 records. In FY 2022-23, these filings generated more than \$56 million in revenue with almost \$44 million of that total going to the General Fund. In January 2023, the Department faced an 8-week, 30,000-filings backlog. That backlog has been eliminated and currently the Bureau is processing filings within an average of 2-3 business days due to the hard work and dedication of the Bureau staff.

In order to continue working at the speed of business, the Department's budget request includes \$2.8 million for the implementation of Act 122 of 2022 (Act 122), which will be funded through revenues collected within BCCO's self-funded restricted receipt account. Act 122 requires nearly all registered entities to file an annual report with the Department of State beginning in 2025. The Department anticipates approximately two million entities will file annual reports. This funding will provide additional staff to handle the increased filings, allowing the Department to maintain its improved processing times, and to allow the Department to do outreach and handle inquiries from businesses and constituents on the new annual report requirement.

Keeping Pennsylvanians Safe

The Department is largely a complaint-driven agency and has a responsibility to review each complaint and investigate as warranted. Our Bureau of Enforcement and Investigation (BEI) investigates complaints and has assisted law enforcement and other state agencies in keeping Pennsylvanians safe. In FY2022-23, BEI investigators closed 6,746 cases (3,641 FY 2023-24 to date). Inspectors conducted 25,127 facility inspections during FY2022-23 (13,304 FY 2023-24 to date). As the number of investigative cases increases, there is need for additional staff to handle these cases and ensure the investigations are completed timely. The Governor's Budget includes four additional positions for BEI.

Overseeing Athletics in Pennsylvania

Finally, the Department's diverse portfolio also includes the State Athletic Commission (SAC). The SAC regulates professional boxing, kickboxing, mixed martial arts and professional wrestling, and licenses 2,331 professional and amateur individuals in these sports who transact business in the Commonwealth.

SAC sanctioned 538 events in 2023. This includes 397 pro wrestling events, 38 pro-boxing events, and 37 professional/amateur MMA events. The Department looks forward to continuing all of these efforts in the upcoming fiscal year.

The Department is committed to working with the General Assembly and the Governor to improve services for our clients, customers, and the Commonwealth.

Thank you for your time and attention and the opportunity to appear before you.