

2011 Program Report Card: Commercial Recording Division (Secretary of the State)

Quality of Life Result: All citizens of Connecticut, the business community and the non-profit community will have information necessary to succeed in a stable and modern marketplace.

Contribution to the Result: The Commercial Recording Division makes business filings accessible to the public in an accurate and timely manner and maintains the public record regarding business entities that have filed with the Secretary of the State.

Actual SFY 10 Total Program Expenditures:\$10,161,221

State Funding:\$10,161,221

Federal Funding:\$0

Other Funding:\$0

Estimated SFY 11 Total Program Expenditures:\$5,993,248

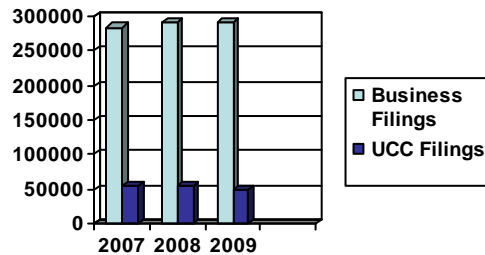
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Partners:The General Assembly, The Attorney General, DRS, The Agency's Automation Vendors, CT Bar Association, Business & Industry Groups, NASS (National Association of Secretaries of State), IACA (International Association of Commercial Administrators)

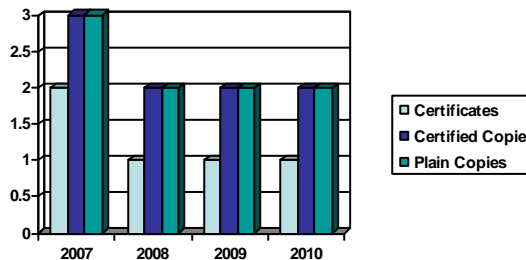
Performance Measure 1: *Number of Business Filings and UCC Filings processed in the Commercial Recording Division ("CRD") by calendar year.*



Story Behind the Baseline: The CRD processes a huge volume of paper and electronic filings per year. As a baseline and by calendar year, the CRD processed a total of 340,444 filings in CY 2007, 347,286 filings in CY 2008 and 340,806 filings in CY 2009 (mostly paper-based filings). Due to the adoption of efficiency measures and the addition of automated processing in limited areas, the division manages this volume with only 40 staff.

Proposed actions to turn the curve: Volume will continue to rise as new businesses form and register with the division. Plans are in place to increase automated processing so that ever-increasing volumes of filings can be processed by a relatively static workforce, and with increased efficiency.

Performance Measure 2: *Turnaround time on requests for copies and requests for Certificates of Legal Existence.* The result of this "How Well" measure indicates a level of customer service achievement that meets the Contribution to the Result goal of providing efficient and timely customer service.

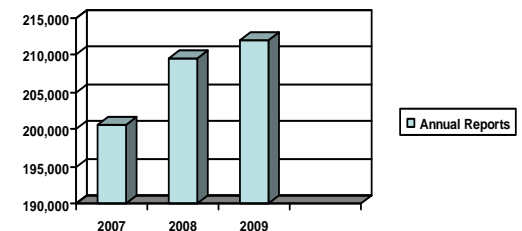


Story behind the baseline: The Secretary of the State has two duties with regard to the public record: to keep the record, and to make the record available to the public. This performance measure addresses the "make available" duty. There is no statutory deadline or timeliness requirement for responding to requests for record information. Nevertheless, in the baseline years of 2008 and 2009, as in 2010, the CRD has been processing to completion all customer orders for Certificates of Legal Existence within one business day and all customer orders requesting plain or certified copies within three business days (most often within two business days). Prior to 2008 it would customarily take longer to fulfill customer requests. For a variety of transactional purposes, customers will

require photocopies (plain or certified) or a Certificate of Legal Existence evidencing that their entity is in good standing with the SOTS. For example, a bank or utility might require proof of good standing before allowing an applicant to establish an account or a line of credit. The CRD responds to these requests efficiently to keep pace with customer demands at the rapid pace of modern business.

Proposed actions to turn the curve: With the recent addition of online Certificates of Legal Existence, this unit is operating with optimal efficiency with regard to timeliness of administrative customer response. Monitor to ensure continued efficiency.

Performance Measure 3: *Annual Report filing volume.*



Story behind the baseline: By statute, most entities registered with the SOTS are required to file Annual Reports ("Reports") to report the status of certain statutory information as it may change over the lifetime of the entity. The CRD is required to mail out over 260,000 Reports per year on paper, along with the Report Instructions and

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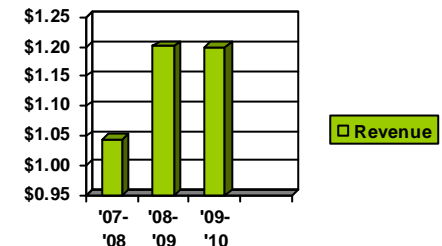
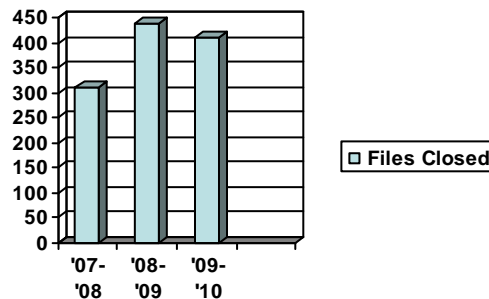
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envelopes. Over 200,000 Reports are returned per year, mostly on paper (about 22% electronically). A staff of approximately 23 Paralegals and License & Application Analysts must review the paper Reports, in addition to performing their other duties and functions (reviewing and processing all other business documents, answering a high volume of calls, reviewing/processing Special Filings and Writs, and handling walk-in customers, for example). Due to the high volume of paper Reports, the division sometimes is unable to meet the statutory filing guidelines that require filing within 5 business days of receipt.

Proposed actions to turn the curve: The division has improved its performance in this area markedly through administrative and automated responses. In order to turn the curve moving forward (moving to 100% timely customer service and statutory compliance in processing Reports), the division could either add temporary or permanent staffing resources, or the division could act to propose policy that would permit the SOTS to mandate online Annual Report filing. Given the prevailing budgetary conditions, it is unlikely to expect staffing increases in the next fiscal year or two. Moreover, it would not be necessary to add staff to address this issue if the policy were to be adjusted. To turn the curve, the CRD will act with its partners (particularly the Bar Association and the General Assembly) to promote legislation that, if enacted, would permit the SOTS to mandate online Annual Report filing (with a waiver provision for those who lack the technology or an appropriate payment method to file online). If enacted, such legislation

would save the state about \$250,000 per year by dispensing with the present requirement that the SOTS mail paper Reports to customers.

Performance Measure 4: *The number of files closed annually by the Foreign Investigation Unit and the amount of penalty forfeiture collected annually illustrates the agency's success in bringing foreign entities into compliance with state registration requirements.* As a baseline, in FY 2007/8 the Unit closed 311 files, collecting \$1,045,873 and in FY 2008/9 closed 439 files, collecting \$1,201,133. This past fiscal year, the program closed 411 files, totaling \$1,201,943.



Story behind the baseline: The Foreign Investigation Unit has partnered with the AG's office over the years to enforce registration of foreign entities transacting business in CT and to collect penalties from violators. The Unit stepped up enforcement in FY 2007/8, substantially increasing baseline revenue through enhanced enforcement over the past three years. In prior years, typical yields would range from \$160,000 to \$750,000 in collected forfeiture. Increased enforcement has resulted in a greater number of closed files and collections averaging over \$1.1 Million/year.

Proposed actions to turn the curve: The CRD partnered with DRS beginning in 2009 to increase efforts to identify foreign violators of the registration requirement. Also, the SOTS partnered with the legislature to enact an increase in the penalty from \$165 to \$300 for each month a foreign entity transacts in CT in violation of the registration requirement (effective 10/1/09). The agency expects continued high collection yields, improving compliance incentive for foreign entities. The law-abiding business community and consumers are better off for this protection against wanton business practices committed by foreign entities.

