

STATE OF CALIFORNIA
Budget Change Proposal - Cover Sheet
 DF-46 (REV 08/17)

| | | | |
|---|-----------------------|--|-------------------|
| Fiscal Year 2019-20 | Business Unit 0511 | Department Government Operations Agency | Priority No. 2 |
| Budget Request Name 0511-001-BCP-2019-GB | | Program 0250 | Subprogram |

Budget Request Description
 Blockchain Working Group Report (AB 2658)

Budget Request Summary

The Government Operations Agency requests 1.0 position and \$241,000 General Fund in 2019-20 to administer the provisions of Assembly Bill 2658 (Chapter 875, Statutes of 2018). This bill requires the Secretary of GovOps to appoint a working group and evaluate the uses of blockchain technology in state government and California business.

| | | |
|--|--|------|
| Requires Legislation <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | Code Section(s) to be Added/Amended/Repealed | |
| Does this BCP contain information technology (IT) components? <input type="checkbox"/> Yes <input type="checkbox"/> No <i>If yes, departmental Chief Information Officer must sign.</i> | Department CIO | Date |

For IT requests, specify the project number, the most recent project approval document (FSR, SPR, S1BA, S2AA, S3SD, S4PRA), and the approval date.

Project No. Project Approval Document: Approval Date:

If proposal affects another department, does other department concur with proposal? Yes No
Attach comments of affected department, signed and dated by the department director or designee.

| | | | |
|------------------------------|------|------------------------------------|------|
| Prepared By Michael Miyao | Date | Reviewed By | Date |
| Department Director | Date | Agency Secretary Marybel Batjer | Date |

Department of Finance Use Only

Additional Review: Capital Outlay ITCU FSCU OSAE CALSTARS Dept. of Technology

| | | |
|------|------------------------------------|--|
| PPBA | Original Signed By Evelyn Suess | Date submitted to the Legislature 1/10/19 |
|------|------------------------------------|--|

BCP Fiscal Detail Sheet

BCP Title: Blockchain Working Group Report (AB 2658)

BR Name: 0511-002-BCP-2019-GB

Budget Request Summary

| | FY19 | | | | | |
|--|------------|--------------|------------|------------|------------|------------|
| | CY | BY | BY+1 | BY+2 | BY+3 | BY+4 |
| Personal Services | | | | | | |
| Positions - Temporary | 0.0 | 1.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Total Positions | 0.0 | 1.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Salaries and Wages | | | | | | |
| Earnings - Temporary Help | 0 | 80 | 0 | 0 | 0 | 0 |
| Total Salaries and Wages | \$0 | \$80 | \$0 | \$0 | \$0 | \$0 |
| Total Staff Benefits | 0 | 41 | 0 | 0 | 0 | 0 |
| Total Personal Services | \$0 | \$121 | \$0 | \$0 | \$0 | \$0 |
| Operating Expenses and Equipment | | | | | | |
| 5320 - Travel: In-State | 0 | 1 | 0 | 0 | 0 | 0 |
| 5324 - Facilities Operation | 0 | 4 | 0 | 0 | 0 | 0 |
| 5326 - Utilities | 0 | 1 | 0 | 0 | 0 | 0 |
| 5340 - Consulting and Professional Services - External | 0 | 110 | 0 | 0 | 0 | 0 |
| 5368 - Non-Capital Asset Purchases - Equipment | 0 | 3 | 0 | 0 | 0 | 0 |
| 539X - Other | 0 | 1 | 0 | 0 | 0 | 0 |
| Total Operating Expenses and Equipment | \$0 | \$120 | \$0 | \$0 | \$0 | \$0 |
| Total Budget Request | \$0 | \$241 | \$0 | \$0 | \$0 | \$0 |
| Fund Summary | | | | | | |
| Fund Source - State Operations | | | | | | |
| 0001 - General Fund | 0 | 241 | 0 | 0 | 0 | 0 |
| Total State Operations Expenditures | \$0 | \$241 | \$0 | \$0 | \$0 | \$0 |
| Total All Funds | \$0 | \$241 | \$0 | \$0 | \$0 | \$0 |
| Program Summary | | | | | | |
| Program Funding | | | | | | |
| 0250 - Administration of Government Operations Agency | 0 | 241 | 0 | 0 | 0 | 0 |
| Total All Programs | \$0 | \$241 | \$0 | \$0 | \$0 | \$0 |

Analysis of Problem

A. Budget Request Summary

The Government Operations Agency (GovOps) requests 1.0 position and \$241,000 General Fund in 2019-20 to administer the provisions of Assembly Bill 2658 (Chapter 875, Statutes of 2018). This bill requires the Secretary of GovOps to appoint a working group and evaluate the uses of blockchain technology in state government and California business.

B. Background/History (Provide relevant background/history and provide program resource history. Provide workload metrics, if applicable.)

Assembly Bill (AB) 2658 (Chapter 875, Statutes of 2018) requires GovOps to appoint a blockchain working group on or before July 1, 2019. The bill requires the working group to report to the Legislature, by January 1, 2020, the potential uses, risks and benefits of blockchain technology.

Blockchain technology, commonly defined as a peer-to-peer digital ledger that records data in a distributed and decentralized computing system, is designed to improve transparency, efficiency and availability of data while also ensuring integrity and security. The principle of the system is that it transparently shares data among members of a decentralized network in a way that ensures that all peers agree via consensus that a transaction is legitimate and indisputably authentic.

This potentially upends the traditional data processing and distribution models by allowing for multiple parties to retain the data via a single entity, thus dramatically improving transparency because all members must have consensus of the ledger (or table of transactions associated with the data or asset) and full visibility of the ledger. These consensus networks can be public or private; however, all must be linked and transactions must be "chained" together block by block (block being a transaction in this sense) to the most current transaction. Another added benefit of these types of networks is that it removes any need for a "middle man" or third party to mediate transactions; this means that banks, for example, would not need to be the central authority to determine a financial transaction. Individual members could simply perform the transaction on their own and submit it to the network for verification and input into the chain.

This technology, while still relatively new in terms of large scale implementations beyond bitcoin (a digital currency which utilizes blockchain and popularized it), there are multiple potential uses that private companies and governments could leverage. For example, utilizing a blockchain for citizen data such as public records pertaining to real estate ownership would mean that there would be no need for a central processing system, rather a blockchain could be replicated across the state and provide any user of the data (real estate professionals or title examiners for example) access to the most up to date, verified, and immutable record. Title lookups in this context could take seconds instead of days. Other potential examples include utilizing private blockchains for large scale implementations of data repositories that must be pulled up at satellite offices when transacting or providing a service to citizens.

C. State Level Considerations

It is in the state's best interest to evaluate new technologies and determine their appropriateness for use in state government. Doing so will benefit consumers, could result in economic growth, and maintain California's role as a leader in technology and innovation.

D. Justification

In order to comply with this legislative mandate, GovOps is requesting 1.0 Staff Services Manager I (SSM I) and funding to contract with a professional facilitator.

The primary function of the SSM I will be to provide support to the working group. This will include scheduling and organizing the meetings (which could include subgroup meetings), communicating with working group members and any information or other requests made by them, processing members' reimbursements expenses (as specified in the bill), and compiling and editing the report mandated in the bill. Most of these tasks will need to be completed with significant autonomy.

Analysis of Problem

The professional facilitator will be a "content neutral" individual with expertise with working groups of this size and political nature (two members of the Legislature will be on the working group) that can provide structure and process so that the group can function effectively. This person will be able to provide ongoing guidance to both the working group chair as well as the SSM I.

E. Outcomes and Accountability

It is the responsibility of GovOps to implement the provisions of AB 2658. The requested positions will work to establish the working group, evaluate the use of blockchain technology and report to the Legislature, as required by the bill.

F. Analysis of All Feasible Alternatives

Alternative 1: Approve 1 position and \$241,000 in 2019-20

This alternative provides the resources necessary to implement the provisions of this bill.

Alternative 2: Approve \$241,000 for contract staff.

This alternative provides funding to hire contract staff to implement the provisions of this bill.

Alternative 3: Do not approve request

GovOps will not have the necessary resources to implement the requirements of this bill.

G. Implementation Plan

Hire SSM I and have contract in place by July 1, 2019 to establish the working group, as required by the bill.

H. Supplemental Information *(Describe special resources and provide details to support costs including appropriate back up.)*

None

I. Recommendation

Approve Alternative #1 to ensure that GovOps has the resources necessary to implement the requirements of this bill.