eGovernment: Serving Small Business in California.  
Anya Kartavenko

Ranking among top ten world’s largest economies, the state of California accounts for over 13 percent of the nation’s output and gross product (GP) of nearly $1.5 trillion.\(^1\) While the GP of the state has been steady in the past five years, the ranking itself has been sliding, giving way to the rising economies of China,\(^2\) Italy, and France (Figure 1, Appendix). In this rapidly changing economical landscape, the state competitiveness is based on the “high quality of the State’s intellectual, institutional, and place-based assets.”\(^3\) As U.S. national economy and California state economy give way to the emerging economies of the world,\(^4\) the importance of providing healthy business environment will keep rising. Minimizing negative effects of regulations and rising costs of doing business become evermore important.\(^5\)

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\(^2\) According the Wall Street Journal, China’s economy is likely to have expanded 10.5% in 2006. December 28, 2006, p.28.


\(^4\) As Peter Drucker puts it in an interview to Fortune, “the dominance of the U.S. is already over. What is emerging is a world economy of blocs represented by NAFTA, the European Union, and ASEAN. There’s no one center in this world economy.” Peter Drucker, Interview by Brent Schlender, “Peter Drucker Sets Us Straight,” *Fortune*, January 12, 2004.

Supporting California economic growth, the number of new business registrations in the state of California is growing. In the period from 2001 to 2006, new business incorporations increased 33%, from 6,700 average monthly registrations in 2001 to 9,000 in the first half of 2006 (Figure 2).

Notably, that is the small firms that account for a significant portion of the business in the state of California: they employ more than half of all workers and are responsible for the majority of the total net job growth in the state economy.\(^6\)

By the same token, small firms, by the nature of their size and resource allocation, face the highest compliance or regulatory costs. Though no studies have been conducted by the State of California on the cost of compliance, a study by the U.S. Small Business Administration (September 2005) showed that the largest per employee costs of federal regulatory compliance falls onto smaller firms: “Firms with fewer than 20 employees annually spend $7,647 per employee to comply with federal regulations, compared with the $5,282 spent by firms with more than 500… [S]mall businesses face a 45 percent greater burden than their larger counterparts.”\(^7\) In addition to federal, there are state and local regulatory costs. Dispersed among different agencies, information is often available via Internet but not particularly well organized nor delivered. Its abundance is more of a menace than help, a clear case of “more” being simply “more” and not “better.”

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\(^6\) Innovation, Investment, Collaboration. A Statewide Action Agenda for Economic Vitality from California’s Regional Leaders. Executive Summary, p.3.

The problem is, of course, that historically government services have not been customer-centric. Due to the complexity of the organizational structure of the government, the services it has developed are usually department-based and not necessarily coordinated. eServices in the state of California have been grown from the rudiments of the earlier days of Internet publishing when merely posting information online was believed to be the answer. As more and more information was added to the online resources, its organization becomes more complex. For the new business owners, there is a multitude of government resources: ca.gov (California eGovenment Portal), calbusiness.ca.gov (California Business Portal), ss.ca.gov/business (Secretary of State California Business Portal), calgold.gov (catalog of business permits information), edd.ca.gov (Employment Development Department), dca.ca.gov (professional licensing), cslb.ca.gov (Contractors State License Board), dir.ca.gov/DOSH/ (Division of Occupational Safety and Health), taxes.ca.gov (California Tax Service Center, developed by Board of Equalization, Employment Development Department, Franchise Tax Board, and Internal Revenue Service), irs.gov (Internal Revenue Service), sba.gov (Small Business Administration). California Small Business Development Centers, part of the United States Small Business Administration's national network, are also available for training and guidance. Some of them, however, do not have online presence.\(^8\)

None of the California government sites described above provide transactional services: one cannot file for a business permit online or carry out a transaction with the state Tax

Service Center. In addition, most of the state information services are distributed among its respective departments in a “silo” fashion. Though some efforts at service integration have been made (one example mentioned above, calgold.gov, is illustrated later in this paper), to this day, not a single truly customer-centric service site has been developed.

Meanwhile, there are more than 300 online services that are offered by the state of Michigan\(^9\) (Figure 3). These include registering to do business in the state, renewing professional licenses, and requesting permits online. Focusing on providing services that are customer-centric, for both citizens and businesses, Michigan IT department is working on “mobile applications for tasks that people want to accomplish on short notice… For example, one future application will let people who book charter fishing tours use handheld devices to buy 24-hour fishing licenses.”\(^10\)

It is not surprising that Michigan was ranked as the top government site by both National Policy Research Council (NPRC), a Washington-based non-profit,\(^11\) and by 2006 Digital States Survey,\(^12\) conducted by the Center for Digital Government in Folsom, California. (California eGovenment Portal was ranked number 16 by the 2006 Digital States Survey).

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\(^9\) Computerworld, November 27, 2006, p.10.
\(^10\) Computerworld, November 27, 2006, p.12.
\(^11\) Computerworld, November 27, 2006, p.10.
The need for better service to small business has been long recognized by the state officials\textsuperscript{13,14}.

The pressure on California State Government has never been greater – to be more efficient, cost effective, convenient and accessible to the citizens it serves. It is hard to imagine any significant statewide initiative that could achieve such a transformation in service delivery and state operations without technology as a major component. But today, our technology programs are not capable of meeting these challenges.

Many of our service delivery systems are outdated and inconvenient, internal business systems are antiquated and fragmented, and statewide planning for technology is ineffective. Our technology programs operate with an agency focus and for the convenience of government rather than with an enterprise focus and for the convenience of citizens, resulting in duplication, waste and inconsistent results. Our heavy reliance on outdated legacy systems and decentralized, non-standardized technology architecture dissipates limited dollars and human resources. This situation exposes the state to higher overall operational costs and increased vulnerabilities to security threats and architecture breakdowns.

A number of policy and legislative initiatives took place: Assessment attempts were made to size the problem as early as 2000 by PriceWaterhouseCoopers,\textsuperscript{15} and recommendations for the state enterprise architecture (SOA) were developed. Under the strategic plan of 2005,\textsuperscript{16} the Department of Technology Services (DTS) was formed.\textsuperscript{17} Yet, more then five years later, California, the home of the U.S. economy for innovation and change, has not

\textsuperscript{16} California State Information Technology. Strategic Plan, Update to the 2004 Plan, November 2005.
\textsuperscript{17} DTS was established on July 9, 2005, by the Governor's Reorganization Plan Number 2, which consolidated the Stephen P. Teale Data Center, the California Health and Human Services Agency Data Center, and the Department of General Services, Office of Network Services, according to ca.gov. Accessed at http://www.dts.ca.gov/about/default.asp on December 29, 2006.
been able to shape up its service delivery. Aforementioned efforts, though essential, only inched the way to the overall goal of service integration.

In addition to organizational assessments, a legislative initiative to help small business took place in 2006. State Bill No. 1436\(^\text{18}\) (SB 1436), first introduced in February 2006, went into law in September same year. Recognizing regulatory burdens faced by small businesses, it intended to assist them in complying with state regulations designed to protect the public. Specifically, it mandated creating “a link to state agency Web sites at the State of California Internet portal specifically for the use of small business\(^\text{19}\) in accessing information regarding startup requirements and regulatory compliance applicable to the particular business.”\(^\text{20}\) It also required state agencies that regulate small business to designate a liaison, at least one individual, whose duties would include updating the small business information online, in clear and plain language; receiving and responding to complaints; facilitating in meeting 25% small business participation goal in procurement and contracting processes; and providing “technical advice and assistance to

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\(^{19}\) “Small business” is an independently owned and operated business that is not dominant in its field of operation, the principal office of which is located in California, the officers of which are domiciled in California, and that, together with affiliates, has 100 or fewer employees, and average annual gross receipts of $10 million dollars or less over the previous 3 years, SB 1436, Bill Analysis, April 17, 2006, p.6. Accessed at: [http://info.sen.ca.gov/pub/05-06/bill/sen/sb_1401-1450/sb_1436_cfa_20060418_094706_sen_comm.html](http://info.sen.ca.gov/pub/05-06/bill/sen/sb_1401-1450/sb_1436_cfa_20060418_094706_sen_comm.html) on December 12, 2006.

\(^{20}\) Small Business Administration classifies small business as one that: (1) is organized for profit; (2) has a place of business in the United States; (3) makes a significant contribution to the U.S. economy by paying taxes or using American products, materials or labor; and, (4) does not exceed the numerical size standard for its industry (see Table 1). Accessed at: [http://www.ccr.gov/sizestandard.asp](http://www.ccr.gov/sizestandard.asp) on January 27, 2006.

small businesses in resolving problems and questions regarding compliance with agency’s regulations and relevant statues.” The agencies were required to utilize their existing funding to comply with this measure.

How effective this legislation will be? The future will tell. However, a quick analysis shows that it still follows the old service “silo” delivery model and unlikely to substantially mitigate small business burdens. First, “a link” (as in one link) on a state portal (Figure 4) cannot provide access to multiple agencies serving small business. It could only serve as an “entry point” to a service designed to provide that information. It would require additional information architecture efforts to present small business regulatory information in comprehensive manner. Moreover, one link could not provide access to all of the state agencies that might affect a particular business. For one, it needs to be determined based on the type of business and locale, what regulations affect business entity’s operations. And even then, providing a dry list of agencies with their contact information without any explanation of why or how the agencies affect the entity operations is not helpful. It still shifts the burden of sifting through that information onto the business entity and thus does not constitute a “courteous” service.

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22 SB 1436, p. 94.
23 CalGold (calgold.ca.gov) is an example of such service. The acronym stands for California Government Online to Desktops. It is a site started in 1997 by the California Environmental Protection Agency (Cal/EPA) to assist businesses with access to the information they need to ensure proper compliance with environmental and other regulatory and permitting requirements. It offers direct links and contact information to state, local, regional, and federal permitting authorities for more information.
Second, mandating to designate a liaison without additional funding will most likely result in tackling these responsibilities on top of an existing job. How helpful could a government official be in this capacity if they already have a set of duties to fulfill? How likely would they be to deliver a timely quality service? Charging one person with providing “technical advice assistance” in this manner will likely result in long response times. To avoid overburdening them resulting in negative customer experience, that service might not be widely advertised. In business world, enterprises would be setting up call centers to deliver such service. (But they, undoubtedly, have access to bigger resources than the state does.) But most importantly, each liaison will only be able to answer inquires about their respective agency. That, in turn, would result in the old fragmented service delivery.

So, how effective could SB 1436 be? Is it just another measure with great intentions but uncertain outcome? A measure that is aimed at solving the issue but in effect will just distract agencies’ efforts and limited resources from a problem at hand: contributing to a design of a customer-centric government service for small business. Such approach, of course, would require a strong leadership and new—customer-oriented—mindset. It is also likely to require additional resources. Not resources scrambled from the agencies, but resources centralized and dedicated to assist small business in completing their tasks, be that registering a business, paying taxes, or filling for licenses. Aside from the business registration, all tasks are repetitive in nature. All could be greatly aided by eServices.

24 Small business liaison role is reinstated from regulations that existed earlier.
Precedents of customer-centric applications exist in other jurisdictions: Utah’s One-Stop Business Registration portal\(^{25}\) (OSBR) is one such example. Aimed at helping a user complete a particular task, OSBR (Figure 5) is a step-by-step guiding wizard that integrates services from 12 federal, state, and local agencies. Each page is dynamically generated based on the information supplied by the user within a relatively common set of registration steps. All users progress through the five main areas of business registration (declaring the business entity, naming the business, describing the business and its activities, providing business addresses and locations, defining the management/ownership), but users only answer the questions in each area that pertain to the type of business they are registering.

Utah’s OSBR site was recognized by the NASCIO (National Association of Chief Information Officers of the states) and received association’s awards in 2003.\(^ {26}\) It is an example of a targeted user-centered application, aimed at solving a particular problem.

None of user-centric efforts similar to OSBR have taken place in California today. The CalGOLD site (Figure 6), referenced earlier, has no direct relation to the California business portal\(^ {27}\) that is operated by the Secretary of State (Figure 7). The former is a catalog of information and does not issue permits or licenses, nor does it offer information on specific license numbers. The later site provides a general framework on

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\(^{26}\) Launched by the Utah state government in the summer of 2003, OSBR portal spans across twelve federal and state agencies. Instructions are provided for local license filings.

registering a business\(^{28}\) and a high-level list of state agencies and a few other resources that are “most often referenced”\(^{29}\) by business entities contacting the office in efforts to ensure proper compliance with state regulations. CalGOLD site is linked to at the California Business Portal; but the California Business Portal is not linked to the CalGOLD site.

Linking appears to be the ultimate “integration” measure in the state of California eGovernment services delivery today. State track-record shows, that such an approach cannot improve the extent to which the state provides information and online services to its residents in a usable and efficient manner. Providing service via customer-focused applications on the basis of enterprise SOA with clear measures of customer satisfaction has been long adapted by the industry as an ultimate solution to providing quality information services. Success of portals such as OSBR, Michigan.gov, and other recognized best practices in eGovernment is yet another proof of this old concept. Adapting best industry practices might be more efficient than delivering on “quick fix” legislative measures. There is no “quick fixes” in redesigning services. There is only painstaking work that requires substantial resources.


\(^{29}\) Business Resources, California Business Portal, [http://www.ss.ca.gov/business/bpd_links.htm](http://www.ss.ca.gov/business/bpd_links.htm)
Appendix.

Figure 1. California’s gross product ranks among ten world’s largest economies; 2001, 2003, 2005.\(^{30}\)

Figure 2. New business incorporations, seasonally adjusted, January 1990–June 2006.\(^{31}\)

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Figure 3. Official Portal for the State of Michigan, michigan.gov.
<table>
<thead>
<tr>
<th>Industry Group</th>
<th>Size Standard</th>
</tr>
</thead>
<tbody>
<tr>
<td>Manufacturing</td>
<td>500 employees</td>
</tr>
<tr>
<td>Wholesale Trade</td>
<td>100 employees</td>
</tr>
<tr>
<td>Agriculture</td>
<td>$750,000</td>
</tr>
<tr>
<td>Retail Trade</td>
<td>$6 million</td>
</tr>
<tr>
<td>General &amp; Heavy Construction</td>
<td></td>
</tr>
<tr>
<td>(Except Dredging)</td>
<td>$28.5 million</td>
</tr>
<tr>
<td>Dredging</td>
<td>$17.0 million</td>
</tr>
<tr>
<td>Special Trade Contractors</td>
<td>$12.0 million</td>
</tr>
<tr>
<td>Travel Agencies</td>
<td>$3 million (Commissions and other income)</td>
</tr>
<tr>
<td>Business and Personal Services</td>
<td>$6.0 million</td>
</tr>
<tr>
<td>Except: Architectural, Engineering, Surveying, and Mapping Services</td>
<td>$4.0 million</td>
</tr>
<tr>
<td>Dry-cleaning and Carpet Cleaning Services</td>
<td>$4.0 million</td>
</tr>
</tbody>
</table>

Table 1. Small business size standards, abridged.\(^{32}\) For the full list of small business size by North American Industry Classification System (NAICS) in accordance with Small Business Administration, see [http://ecfr.gpoaccess.gov/cgi/t/text/text-idx?c=ecfr&sid=b6e780955530049be4cc0d0a0e391115&rgn=div5&view=text&node=13:1.0.1.15&vicinity=13:1.0.1.15.1.232.9](http://ecfr.gpoaccess.gov/cgi/t/text/text-idx?c=ecfr&sid=b6e780955530049be4cc0d0a0e391115&rgn=div5&view=text&node=13:1.0.1.15&vicinity=13:1.0.1.15.1.232.9)

Figure 4. California State Portal, ca.gov.
Figure 5. One-stop business registration portal (OSBR), from utah.gov.
Figure 6. CalGOLD, calgold.gov.
Starting a Business

When starting a new business, there are many important decisions to make and many rules and procedures that must be addressed. While this is a rightsavored for all filing requirements, the following steps have been developed to assist you in starting your business.


**Figure 7.** Secretary of State California Business Portal, http://www.ss.ca.gov/business/resources.htm.