

HOUSE BILL REPORT

HB 1040

As Passed Legislature

Title: An act relating to the use of electronic signatures and notices.

Brief Description: Regarding the use of electronic signatures and notices.

Sponsors: Representatives Pedersen, Armstrong, Kirby, Warnick, Kelley and Hunt; by request of Secretary of State.

Brief History:

Committee Activity:

Judiciary: 1/10/11, 1/13/11 [DP].

Floor Activity:

Passed House: 2/7/11, 92-0.

Senate Amended.

Passed Senate: 4/12/11, 47-0.

House Concurred.

Passed House: 4/14/11, 97-0.

Passed Legislature.

Brief Summary of Bill

- Allows the Secretary of State to send renewal notices to certain business entities by electronic mail, rather than postal mail, if the business entity elects that option.
- Makes it discretionary, rather than mandatory under the Electronic Authentication Act, for governmental entities to subscribe to the services of a licensed certification authority for use of digital signatures.

HOUSE COMMITTEE ON JUDICIARY

Majority Report: Do pass. Signed by 12 members: Representatives Pedersen, Chair; Goodman, Vice Chair; Rodne, Ranking Minority Member; Shea, Assistant Ranking Minority Member; Chandler, Frockt, Kirby, Klippert, Nealey, Orwall, Rivers and Roberts.

Staff: Trudes Tango (786-7384).

This analysis was prepared by non-partisan legislative staff for the use of legislative members in their deliberations. This analysis is not a part of the legislation nor does it constitute a statement of legislative intent.

Background:Notices to Business Entities.

The Corporations Division of the Office of the Secretary of State (OSOS) is responsible for administering a variety of programs, including the licensing and registration of domestic corporations, foreign corporations doing business in the state, corporations sole, charitable organizations, and commercial fundraisers. Business entities licensed with the OSOS must file certain documents, such as their annual reports, with the OSOS. The OSOS must send notices to these business entities to renew their registrations and file their reports. These notices must be sent by postal mail.

Digital Signatures.

The OSOS also administers the Electronic Authentication Act (EAA), which governs the use of digital signature technology in electronic transactions and creates a process for the OSOS to license entities that verify the authenticity of digital signatures. These entities are called "certification authorities."

Digital signature technology is an encryption system used to protect the confidentiality of an electronic document and authenticate its source. Digital signature technology allows a person receiving an electronic document, such as a contract, to know that the signature on the document is authentic and that the document has not been altered by anyone else since it was signed.

The technology operates on the basis of digital keys or codes. These keys must be certified for their authenticity. Licensed certification authorities issue the certificates of authenticity.

Under the EAA, a unit of state or local government is required to become a subscriber to a certificate issued by a licensed certification authority, if the governmental entity's signature is required for the purposes of conducting official public business with electronic records.

Summary of Bill:Notices to Business Entities.

The OSOS may send notices of registration renewals and notices to file annual or biennial reports to certain business entities using either postal or electronic mail, as elected by the business entity. Those business entities are charitable organizations and commercial fundraisers registered with the OSOS, domestic corporations, foreign corporations doing business in the state, and corporations sole. The option to receive the notice by electronic mail may be selected only when the OSOS makes the option available.

Digital Signatures.

Governmental entities may, but are no longer required to, be subscribers to a certificate issued by a licensed certification authority.

Appropriation: None.

Fiscal Note: Available.

Effective Date: The bill takes effect 90 days after adjournment of the session in which the bill is passed.

Staff Summary of Public Testimony:

(In support) This bill encourages efficiency in government. It allows agencies to find other ways to conduct business electronically. The bill has approval from the Office of the Attorney General and the Washington Technology Industry Association. Allowing electronic renewal notices will save the OSOS approximately \$18,000 per year and will eventually create more savings as more businesses sign on to receive notices electronically. It will make it easier for entities to renew registrations quickly.

(Opposed) None.

Persons Testifying: Representative Pedersen, prime sponsor; and Pam Floyd, Division of Corporations and Charities, Office of the Secretary of State.

Persons Signed In To Testify But Not Testifying: None.