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January 12, 2018

The Honorable Holly Mitchell, Chair  
The Joint Legislative Budget Committee  
1020 N Street, Room 553  
Sacramento, CA 95814

Dear Senator Mitchell:

In accordance with the Supplemental Report of the 2014-15 Budget Package, Item 0890-001-0228, attached is my office's quarterly report on the progress of the California Business Connect project. If you have any questions about this report, please feel free to contact me at (916) 653-7244, or have your staff contact my Chief of the Business Programs Division, Betsy Bogart, at (916) 695-1197.

Sincerely,

Alex Padilla  
Secretary of State

Attachment

cc: Mr. Daniel Alvarez, Secretary of the Senate  
Ms. Diane Boyer-Vine, Legislative Counsel  
Mr. Mac Taylor, Legislative Analyst

## **California Business Connect Update as of January 12, 2017**

### **Introduction**

The “Supplemental Report of the 2014-15 Budget” of the Legislative Analyst’s Office requires the Secretary of State (SOS) to provide a quarterly report on the progress of the California Business Connect (CBC) project on or before October 15, 2014, and on or before every January 15, April 15, July 15, and October 15, thereafter, to the chairs of the Joint Legislative Budget Committee and the fiscal committees of the Legislature. The SOS also is required to certify whether the SOS: (a) anticipates making or has made any changes to the project’s scope, schedule, or budget; and (b) believes there are any problems that would preclude meeting the approved project schedule and budget. This reporting requirement will end upon the completion or termination of the CBC project.

### **Background**

The CBC project is intended to change how people interact with the Business Programs Division (BPD) of the SOS’s office. The CBC project solution affects nearly every BPD process, including most of the business filings for corporations, limited liability companies, limited partnerships, and other statutorily-required filings which currently are processed and filed in a paper-driven production environment (exceptions include Uniform Commercial Code filings and corporate statements of information, which have online services).

CBC is proposed as an integrated automated solution that has configurable components requiring minimal customization, while still being robust, secure, and easy to operate and maintain. In the new CBC environment, the processes will be almost entirely paperless, with many of the filings and requests for information completely automated through online services.

### **January 2018 Report**

As noted in the October 2017 report, the CBC Project is currently in a revised Project Planning phase. The SOS office is currently working with the California Department of Technology and the Department of Finance on a new procurement strategy. Special Project Report #3 (SPR#3) will be submitted to the Department of Technology and the Critical Partners in January 2018. This SPR#3 will lay the foundation for this new procurement strategy and the updated project costs. The August 2017 Request for Proposal (RFP) milestone is being replaced by a couple of smaller, more targeted Requests for Offer (RFO) that will be released in the second quarter of 2018 and the second quarter of 2019. This new strategy aligns with the recently chaptered AB 475, moving from one large procurement to smaller, more focused ones. The new strategy will deliver online access to business services in a modular approach with ‘off-ramps’ should they be needed. This modular approach will not increase the overall project timeline; however, the customers using the SOS business services will have online access to these services sooner than originally planned in SPR#2.

To demonstrate the success of this new modular approach, the SOS conducted a proof of concept for online form creation using new tools and SOS internal resources. Based on this proof of concept, the SOS is providing public online Trademark and Service Mark registrations in early January 2018, an unprecedented 7 week project. In addition, online access to Limited Liability Corporation (LLC) and Corporation forms will be provided throughout 2018 and completing by the end of 2019. As previously stated, both of these project modules will provide customers online access to business services sooner than planned in SPR#2.

**Project Timeline per SPR #2\***

Major Milestones	Special Project Report Estimated Completion Date	Actual Completion Date
Receive Special Project Report #2 Approval	2/1/2016	4/1/2016
Release of Request For Proposal	8/01/2017	
Contract Awarded	9/01/2018	
Vendor On-board	11/01/2018	
Phase 1: LLC & LP Deployment	8/31/2019	
Phase 2: Corporations Deployment	2/29/2020	
Phase 3: Uniform Commercial Code Deployment	8/31/2020	
Phase 4: Trademarks Deployment	1/31/2021	
First Year Contract Maintenance and Operations	1/31/2022	
Post Implementation Evaluation Report	1/31/2022	

\* Note: The Project Timeline will be updated with the approval of SPR#3