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April 13, 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 April 13, 2018**

### **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.

### **April 2018 Report**

As noted in the January 2018 report, the CBC Project is currently in a revised Project Planning phase due to a new procurement strategy. The SOS office worked closely with the California Department of Technology to prepare Special Project Report #3 (SPR#3). This SPR#3 lays the foundation for this new procurement strategy and the updated project costs. The August 2017 Request for Proposal (RFP) milestone, which had a planned vendor on-board date of November 1, 2018, is being replaced by several smaller, more targeted Requests for Offer (RFO). Two RFO’s will be released in 2018; one for the Trademark/Service Mark line of business scheduled for August 1, 2018, and the second for the Unified Commercial Code line of business scheduled for December 28, 2018. The third planned RFO, for the Business Entity line of business, will be released July 20, 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 pilot for online Trademark Registrations and workflow configuration using a Department of Technology list approved Vendor Hosted Subscription Service tool and SOS internal resources. This pilot was developed and deployed within a record 7 weeks. Based on this pilot, the SOS provided

online submissions of Trademark and Service Mark registrations on January 11, 2018. In addition, online submission of Limited Liability Corporation (LLC) Formations, also a concept pilot, is scheduled for release to the public this Summer. In 2017, we filed more than 120,000 paper LLC Formations. As previously stated, both of these project releases to the public will provide customers online business services sooner than planned in SPR#2.

**Proposed Project Timeline per SPR #3 – March 2018** (Pending Dept. of Tech Approval)

Last Approved Project	Last Approved Date	SPR #3 Proposed Project	SPR #3 Proposed Date
Contract Award (Single RFP)	9/01/2018	Contract Award for Module 4: Business Entities RFO	8/23/2019
Phase 1: LLC & LP	8/31/2019	Module 1: Online Business Filing Forms	11/15/2019
Phase 2: Corporations	2/29/2020	Module 4: Business Entities	11/30/2020
-	-	Contract Award for Module 3: UCC RFO	4/5/2019
Phase 3: UCC	8/31/2020	Module 3: Uniform Commercial Code (UCC) & other Lien Notices	7/17/2020
-	-	Contract Award for Module 2: Trademark RFO	9/17/2018
Phase 4: Trademarks	1/31/2021	Module 2: Trademarks/Service Marks	4/26/2019
Phase 5: First Year Maintenance and Operations	1/31/2022	M&O will be after each module	M&O will be performed iteratively for each module throughout the project allowing the project to conclude 6/30/2021