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July 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 July 15, 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.

### **July 2018 Report**

As noted in the April 2018 report, the CBC Project was working to revise the Project Planning due to a new procurement strategy. The SOS office has since submitted Special Project Report #3 (SPR#3) which was officially approved on May 4th, 2018 with conditions including adding an Agile Coach. SPR#3 lays the foundation for this new procurement strategy and the updated project costs. The procurement strategy in SPR #3 provides for several smaller, more targeted Requests for Offer (RFO). Currently, the project is working towards releasing one of these more targeted RFOs for the Uniform Commercial Code line of business; this RFO is scheduled to be released December 2018. A second 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 SOS customers online access to these services sooner than originally planned in SPR#2.

As was discussed in the last update, 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. Thus, demonstrating the success of this new modular approach using key agile project management principles. The Online Trademark Registrations was implemented in 7 weeks to help with the new cannabis trademark workload and has an overall online adoption rate of 67% and growing. The Trademark Registration pilot was followed up by another successful implementation for the online submission of Limited Liability Company (LLC) Formations, which was released to the

public on May 8th, 2018. Since the release of online LLC Formations, the public adoption rate has been approximately 60%, with a weekly average of 1,700 electronically submitted LLC Formation filings. The project team also has begun the second phase of Module 2: Trademarks using key agile principles.

### Project Timeline per SPR #3

Project Modules	Fully Deployed Date
<b>Module 1:</b> Online Business Filing Forms	11/15/2019
<b>Module 2:</b> Trademarks	4/26/2019
<b>Module 3:</b> UCC and other Lien Notices	7/17/2020
<b>Module 4:</b> Business Entities	11/30/2020
M & O will be performed iteratively for each Module throughout the project	6/30/2021

June 2018 marked the 1<sup>st</sup> Anniversary of Secretary of State's **bizfile** California Portal which supports the Secretary of State's digital initiative to automate the divisions thus making it easier to do business in California. **bizfile** California will grow as we add more California Business Connect online services. In just one year, **bizfile** California includes links to online services such as: **LLC Statements of Information Online** (Implemented June 2017) processing over 400,000 online statements with an 80% adoption rate; **Trademark/Service Mark Registration Online** (Implemented January 2018) with an adoption rate of 67% and growing; **LLC Formation Online** (Implemented May 2018) with an adoption rate of approximately 60%. In addition, **California Business Search** (Enhanced May 2017) now has more than 12.6 million images of corporations, limited liability companies and limited partnership documents online for free. Secretary of State has also introduced **Eureka Chatbot** (Implemented May 2018) utilizing Microsoft's Artificial Intelligence Engine to provide an online search assistant currently answering Business Entities and Trademark questions. Secretary of State is the first State Agency to utilize Microsoft's Artificial Intelligence Engine.