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October 15, 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 October 12, 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.

October 2018 Report

As noted in the July 2018 report, the CBC Project is working to meet the conditions set by the California Department of Technology for the May 4th, 2018 approval of Special Project Report #3 (SPR#3). One of the final conditions is the hiring of an Agile Coach to guide the implementation of Agile principles by the SOS. The new Agile Coach is slated to begin October 15, 2018.

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 in December 2018. This new strategy aligns with the 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. These modular approaches will provide SOS customers with online access to these services sooner than originally planned in SPR#2.

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. When the July 2018 report was issued, the Trademarks online submissions had an overall online adoption rate of 67%; at a checkpoint in August 2018, this adoption rate reached 100%. 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. When the July 2018 report was issued, the public adoption rate for LLC Formation online submissions was approximately 60%, with a weekly average of 1,700 electronically submitted LLC Formation filings. At a checkpoint in September this average had increased to over 1900 filings per week.

The project team has begun the second phase of Module 2: Trademarks using key agile principles. At this time, the Module 2: The project team has also started from Module 1: Business Entity Forms, the online submission of LLC Terminations. The ability for customers to submit this form is scheduled to be released to the public in December 2018.

Project Timeline per SPR #3

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

June 2018 marked the 1st 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); **Trademark/Service Mark Registration Online** (Implemented January 2018); **LLC Formation Online** (Implemented May 2018). In addition, **California Business Search** (Enhanced May 2017) now has more than 13.2 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) in partnership with Microsoft, utilizing Microsoft’s Artificial Intelligence and bot services to provide an online search assistant currently answering Business Entities and Trademark questions. Secretary of State is the first state-level Agency to utilize Microsoft’s Artificial Intelligence and bot services. For this introduction in September 2018 the Secretary of State was awarded the **Best of California Award** for **Best Application Serving the Public** from the **Center for Digital Government**.