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January 14, 2019

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: Ms. Erika Contreras, Secretary of the Senate  
Ms. Diane Boyer-Vine, Legislative Counsel  
Mr. Mac Taylor, Legislative Analyst

## California Business Connect Update as of January 11, 2019

### 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 businesses interact with the Business Programs Division (BPD) of the SOS’s office. The CBC project solution affects 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 (at the beginning of the CBC project, the exceptions include Uniform Commercial Code filings and corporate statements of information, which have online services).

CBC is proposed as an 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 2019 Report

The SOS has continued adding online forms to the bizfile California web portal with the successful launch of **Limited Liability Companies (LLC) Terminations Online** on December 27, 2018. With the release of **Trademarks/Service Marks Online in January 2018** and **LLC Formations Online** in May 2018, over 60,000 forms were submitted online as opposed to the previous manually processed paper submissions.

As noted in the October 2018 report, the CBC Project is working to meet the conditions set by the California Department of Technology for the May 4<sup>th</sup>, 2018 approval of Special Project Report #3 (SPR#3). One of the final conditions was the hiring of an Agile Coach to guide the implementation of Agile principles by the SOS. The Agile Coach began work on October 15, 2018.

The first task performed by the Agile Coach was a review of the Agile/Scrum ceremonies, practices and principles of Agile methodology being conducted by the SOS. Although the Agile Coach found the SOS was conducting Agile methodology correctly, the Agile coach has provided some guidance and made suggestions that are being incorporated to improve efficiency and development velocity.

In addition, the Agile Coach has developed a training plan to instruct SOS staff on Agile Mindset, Skills and Building Team Relationships. This training will increase cohesiveness of the teams and thus lead to further gains in efficiency and development velocity.

SPR#3 lays the foundation for the 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. A second planned RFO, for the Business Entity line of business, is scheduled for release on July 20, 2019. This new strategy aligns with the chaptered AB 475, replacing 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. As noted above, this modular approach is providing SOS customers online access to business services sooner than originally planned in SPR#2.

The project team has begun the second phase of Module 2: Trademarks using key agile principles. At this time, the Module 2: Trademarks work is on schedule to complete by 4/26/2019 as planned. The project team is also reviewing alternatives to speed development of the Module 1: Business Entity Forms.

### 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 web 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 600,000 online statements with an 85% adoption rate; **Trademark/Service Mark Registration Online** (Implemented January 2018) which has an adoption rate weekly average of over 90%; **LLC Formation Online** (Implemented May 2018) processing over 50,000 online submissions with an adoption rate average of over 60%. As noted above, **LLC Terminations Online** was the latest addition, (implemented in December 2018). In addition, **California Business Search** (Enhanced May 2017) now has more than 13.6 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 which answered nearly 30,000 Business Entities and Trademark questions since implemented. Secretary of State is the first State Agency to

utilize Microsoft's Artificial Intelligence Engine. 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**.