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July 15, 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 July 15, 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 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 were processed and filed in a paper-driven production environment (exceptions at the beginning of the CBC Project included 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.

July 2019 Report

The 2nd Anniversary of Secretary of State’s **bizfile** California Portal took place in June 2019. This portal supports the Secretary of State’s digital initiative to automate the Business Programs Division thus making it easier to do business in California. **bizfile** California will grow as we add more California Business Connect online services.

Customer Benefits thus Far:

New CBC Online Services	Implementation Date	As of 6/26/2019	
		Number of Online Submissions	Adoption Rate
LLC Statements of Information	June 21, 2017	865,121	88%
Trademark Registration	January 11, 2018	9,291	88%
LLC Formations	May 8, 2018	126,768	80%
LLC Terminations	December 27, 2018	14,479	40%

Secretary of State also introduced **Eureka Chatbot** (Implemented May 2018) utilizing Microsoft’s Artificial Intelligence Engine to provide an online search assistant which answered over 73,697 Business Entities and Trademark questions since implementation. 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 Business Programs Division was awarded the Best of California Award for **Best Application Serving the Public** from the Center for Digital Government and the **2019 Merit Award** from the International Association of Commercial Administrators (IACA) and was highlighted at the 2019 National Association of Secretaries of State Summer Conference.

Module 1: Business Entities (BE) Online Forms: The SOS continues to build upon the online forms listed on the bizfile California portal.

On March 15th, for security and continuity reasons, the CBC Change Control Board approved the inclusion of Corporate Statements of Information (Corp SI) to the scope of the CBC project. This will update the current look and feel of the Corporation SI E-file tool and add the ability to file no-fee change filings online (approximately 200,000 filings per year). Corp SI is currently in the Sprint 7 of 9 total sprints. A soft release for beta testers, is planned for *August 2019*.

BE Certificates of Status Online, (117,000 requests last year) is conducting Sprint 3 of 7 total sprints and the initial release to the public (soft release), is planned for *October 2019*.

In addition, the Secretary of State is working with the Software as a Service (SaaS) vendor, SimpliGov, to develop online California Corporation Formations and Foreign (out of state) Registrations for corporation, limited liability companies and limited partnerships. The front-end work will be complete by the end of *July 2019*, and the backend development for integrations of these forms will begin in *Q3 2019*.

Module 2: Trademarks: The CBC project team is also working to complete the final phase of Module 2: Trademarks with 2 more releases; the first (Registration 2.0) was completed in *May 2019*. The second (Modifications 1.0) is currently scheduled for release to the public in *August 2019*. These final two releases include improvements to the Trademark Registration Online service launched in January 2018, Trademark Modification Filings Online, California Trademark Search and a Trademark Administration System that includes a Design Code Search and reporting tools. These improvements will give Californians and others the ability to search trademarks online and submit change filings online. The Trademark Administration System was developed in-house to provide tools for staff to better process and manage the Trademark workload. With the release in *August 2019* this Module 2: Trademarks will be complete and move to M&O.

Module 3: Uniform Commercial Code: As reported in the April 2019 report, the SOS purchased the Tecuity SOS Enterprise Software (UCC Module) in January 2019, based on market research completed in Q4 2018. The SOS engaged California Department of Technology (CDT) Statewide Technology Procurement division (STP) to release a Request for Offer (RFO) to install and configure this software, this RFO was released in May 2019; and replies received, reviewed and a vendor selected in June 2019. This vendor plans to start Installation and Configuration of the UCC replacement tool in late July 2019. Based on current estimates, this software should be installed and configured for release to the public no later than the SPR #3 planned date of *July 17, 2020*.

Module 4: Business Entity (BE) Features

The time-to-market planning for BE Features is underway. The first step was to review the business needs that were established with the project requirements gathered in June 2017. This updated list of business needs is being refreshed with input from both the Business Programs

Division subject matter experts (SMEs) and the Information Technology Division (ITD) technology experts.

Special Project Report (SPR) #4

As noted above the SOS is planning to release SPR #4 in late Q3 or early Q4 2019. This SPR #4 will address the differences in cost from SPR #3 regarding the estimates for System Integrators, Hardware, Software, Maintenance and Operations (M&O), and Staffing and Benefit. Now that the UCC software has been purchased, and the Install and Configuration RFO costs known; the estimated costs identified on the SPR #3 Economic Analysis Workbook (EAW) can be adjusted to represent actual costs in SPR #4. In addition, as the project has continued to mature, the required Staffing and Benefit costs can be adjusted for FY17/18 and FY18/19; and more accurate estimates for FY19/20 and FY 20/21. Last, the actual milestones that have taken place and those planned until the end of the project can be updated as well.