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October 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 October 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 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 2019 Report

Special Project Report (SPR) #3 split the project development into 4 modules, and each module into 1 to many sub-projects. The CBC team is fully engaged in development of business application solutions towards the project goals. With every release of a new online tool, the Secretary of State is making it easier to do business in California with our online tools.

For **Module 1: Business Entity (BE) Forms**, there are two development (Dev Ops) teams working in parallel on different online form sub-projects. These sub-projects include **Corporation Statements of Information (Corp SI)** which conducted a soft release (to external beta partners) on September 24th, and the release to the public planned for early October. The second Module 1 sub-project is **Certificates of Status**, and it is scheduled for a soft release in January 2020. With the public release of Certificates of Status, **Module 1: BE Forms** will be complete.

For **Module 2: Trademark/Service Mark**, there is a third Dev Ops team which performed the final soft release on October 3rd. The full public launch of this release occurred on October 8th. This release is the 3rd of 3 releases and completes Module 2.

For **Module 3: Uniform Commercial Code (UCC)**, a 4th Dev Ops team, consisting of KPMG contractors with SOS Subject Matter Expert (SME) guidance is in progress. This sub-project is installing and configuring the Tecuity software purchased by the SOS in January 2019. This

team is on schedule to finish on or before the planned milestone listed in SPR #3, which is July 17, 2020.

For **Module 4: Business Entity (BE) Features**, a 5th Dev Ops team is on schedule to perform the soft release of **Corporation Formations** in January 2020.

A 6th Dev Ops team is working on the scope, cost and resources required to complete the remaining business needs of the CBC project, and complete the decommission of the two mainframes. When finished, this will complete **Module 4: BE Features** and the entire CBC project.

Special Project Report (SPR) #4

The SOS is planning to release SPR #4 in Q4 2019. This SPR #4 will address the differences in cost from SPR #3 regarding the estimates for System Integrator, Hardware, Software, Maintenance and Operations (M&O), and Staffing and Benefit actual costs. 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 are being adjusted with actual costs 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 more accurately reflected too.

California Business Connect (CBC) project progress thus far:

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 divisions 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 10/14/2019	
		Number of Online Submissions	Adoption Rate
LLC Statements of Information	June 21, 2017	1,005,614	84%
Trademark Registration Rel. #1	January 11, 2018	9,291	88%
Rel. #2	May 10, 2019	2,350	83%
LLC Formations	May 8, 2018	156,404	80%
LLC Terminations	December 27, 2018	1,983	39%
Trademark Modifications	October 8, 2019	30	50%

Secretary of State’s award-winning **Eureka Chatbot** (Implemented May 2018) utilizing Microsoft’s Artificial Intelligence Engine to provide an online search assistant has answered over 93,621 Business Entities and Trademark questions since implementation. Secretary of State is the first State Agency to utilize Microsoft’s Artificial Intelligence Engine. In addition, the Trademark Registration release #1 was nominated for a **Financial Times Intelligent Business Awards**, and the SOS was notified in September 2019 that the nomination had made the ‘*short list*’. Although the winner will not be announced until October 22, the SOS is honored to have been nominated for this prestigious award.