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April 7, 2020

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,

A handwritten signature in black ink that reads "Alex Padilla".

Alex Padilla
Secretary of State

Attachment

cc: Ms. Erika Contreras, Secretary of the Senate
Ms. Diane Boyer-Vine, Legislative Counsel

California Business Connect (CBC)

Update as of April 7, 2020

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 trademark and Uniform Commercial Code filings. The CBC project has delivered online filing functionalities to replace several of these paper driven filing processes. CBC’s online presence is growing. See Customer Benefits, below.

CBC is 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.

April 2020 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.

Module 1: Business Entities (BE) Forms

Development and testing of Corporation Formations was completed on March 27, 2020 and this online functionality has been released. This marks the completion of Module 1 which will be moved to Maintenance and Operations once the product stabilization period ends on April 30, 2020.

Module 2: Trademarks/Service Marks

This module is complete (as of 10/8/2019) and is currently part of Maintenance and Operations.

Module 3: Uniform Commercial Code (UCC)

KPMG contractors with SOS Subject Matter Expert (SME) guidance are installing and configuring the Teucity “SOS Enterprise” software (UCC Module) purchased by the SOS in January 2019. This team is on schedule to finish on or before the planned milestone date (7/17/2020) listed in SPR #3.

Module 4: BE Features

The project team is collaborating with the California Department of Technology’s (CDT) Statewide Technology Procurement Division to complete two procurements for Module 4 before the end of this fiscal year:

- An amendment to the current agreement with the system integration vendor for Module 3, that will allow the same vendor to plan and implement Module 4.
- A licensing and M&O purchase with the COTS software manufacturer that covers licensing for Module 4, and M&O agreements for both Modules 3 and 4.

The implementation of Module 4 is projected to start in July 2020, pending the approval of our latest Special Project Report.

Special Project Report (SPR) #4

The SOS submitted SPR #4 to CDT and Department of Finance (DOF) on February 7, 2020 and submitted an update on March 10, 2020 based on feedback from CDT and DOF. SOS is currently waiting for approval. This SPR #4 will address the differences in cost from SPR #3 regarding the estimates for System Integrator(s), Hardware, Software, Maintenance and Operations (M&O), and Staffing and Benefits. Now that the UCC software has been purchased, and the Module 3: Uniform Commercial Code install and configuration RFO costs are known; the estimated costs identified on the SPR #3 Economic Analysis Workbook (EAW) has been adjusted to represent actual costs as known through FY 2018/19 in SPR #4. In addition, as the project has continued to mature, the required Staffing and Benefit costs are being adjusted with lower actual costs for FY 2017/18 and FY 2018/19; and more accurate estimates for FY 2019/20 and FY 2020/21. SPR #4 also provides details for the implementation of Module 4: Business Entities Features.

CBC Project Progress to Date

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 is growing as we add more California Business Connect online services.

Customer Benefits to Date

New CBC Online Services	Implementation Date	Number of Online Submissions as of 3/31/2020
LLC Statements of Information	6/21/2017	1,255,589
Trademark Registration	1/11/2018	13,924
LLC Formations	5/8/2018	224,477
LLC Terminations	12/27/2018	36,175
Trademark Modifications	10/8/2019	444
Corporation Statements of Information	11/6/2019	168,968
Corporation Formations	3/27/2020	49

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 124,679 Business Entities and Trademark questions since implementation. Secretary of State is the first State Agency to utilize Microsoft’s Artificial Intelligence Engine. In addition, California Business Search has almost 15.2 million images of Corporations, Limited Liability Companies and Limited Partnerships available for free.