July 14, 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,

Alex Padilla
Secretary of State

Attachment

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

Update as of July 14, 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 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 California Business Connect project is changing how people interact with the Business Programs Division (BPD) of the SOS’s office. The California Business Connect 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 California Business Connect project has delivered online filing functionalities to replace several of these paper driven filing processes. California Business Connect’s online presence is growing. See Customer Benefits, below.

California Business Connect 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 California Business Connect environment, the processes will be almost entirely paperless, with many of the filings and requests for information completely automated through online services.

July 2020 Report
Within the last quarter, the Secretary of State’s California Business Connect project has received oversight approval of Special Project Report (SPR) #4, released an additional online filing for Certificates of Status, augmented the scope to include a special virtual counter called “eForms Online”, and is nearing Go-Live of the Module 3: Uniform Commercial Code (UCC) Replacement application. During the current concerns over the COVID 19 pandemic, the CBC team, for the most part, is teleworking and remains 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.

Special Project Report (SPR) #4
The California Department of Technology (CDT) approved the California Business Connect SPR#4 on May 14, 2020. This approval, and subsequent approvals for spending authority, marks the beginning of the final phase of the California Business Connect project.

Module 1: Business Entities (BE) Forms
This module is complete (as of 4/30/2020) and is currently part of Maintenance and Operations.

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 Tecuity “SOS Enterprise” software purchased by the SOS in January 2019. This team is on schedule to finish on or before the planned milestone date (July 17, 2020) listed in SPR#3 and SPR#4.

Module 4: BE Features

SOS has signed an agreement with systems integration vendor, KPMG, to implement the “SOS Enterprise” COTS product for Module 4. Initiation of this module will follow the deployment of Module 3, this month (July 2020). SOS has also signed a Maintenance and Support agreement with Tecuity (the COTS manufacturer) for the licensing and Maintenance and Operations support of both Modules 3 and 4. In preparation for onboarding KPMG to initiate Module 4, the project team has been working with SOS business representatives and consultants to prepare for the analysis phase of Module 4. During the first three months, the systems integration vendor (KPMG) will conduct a fit-gap analysis to build a requirements backlog for Module 4 and provide an updated project schedule. This analysis is planned to be completed during the beginning of the fourth quarter this year.

In response to the COVID-19 emergency, the project team has added an additional online filing to the project scope titled, “eForms Online.” eForms Online will allow SOS customers to submit PDF versions of most of the SOS filings online. This generic submission workflow will include payment processing for all submissions, and workflow routing of each submission to the appropriate SOS team for review and processing. This filing will increase the total number of available online filings, as well as provide for the ability for additional SOS staff to process the filings via telework.

CBC project Progress to Date

The 3rd Anniversary of Secretary of State’s bizfile California Portal took place in June 2020. 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

As of 6/30/2020

<table>
<thead>
<tr>
<th>New CBC Online Services</th>
<th>Implementation Date</th>
<th>Number of Online Submissions</th>
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<tbody>
<tr>
<td>LLC Statements of Information</td>
<td>6/21/2017</td>
<td>1,368,625</td>
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<tr>
<td>Trademark Registration</td>
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<td>LLC Formations</td>
<td>5/8/2018</td>
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<td>LLC Terminations</td>
<td>12/27/2018</td>
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<td>Trademark Modifications</td>
<td>10/8/2019</td>
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<td>Corporation Statements of Information</td>
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<td>Corporation Formations</td>
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<tr>
<td>Certificates of Status (Orders)</td>
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<td>3,028</td>
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</tbody>
</table>

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 141,239 Business Entities and Trademark questions since implementation. Secretary of State is the first State Agency to utilize Microsoft’s Artificial Intelligence Engine.