

Date of Hearing: August 18, 2020

ASSEMBLY COMMITTEE ON APPROPRIATIONS

Lorena Gonzalez, Chair

SB 522 (Hertzberg) – As Amended July 27, 2020

Policy Committee: Banking and Finance

Vote: 12 - 0

Urgency: No

State Mandated Local Program: No

Reimbursable: No

SUMMARY:

This bill creates uniform naming standards for when a corporation, limited partnership (LP) or limited liability company (LLC) registers its name with the Secretary of State (SOS).

FISCAL EFFECT:

- 1) Likely modest one-time costs for SOS to revise business name regulations and to update forms and other materials.
- 2) Significant long-term savings by reducing the amount of time SOS must spend on reviewing proposed business names and by allowing other administrative efficiencies.

COMMENTS:

- 1) **Background.** The SOS processes business filings and maintains records related to corporations, LLCs, LPs, general partnerships limited liability partnerships and other types of business entities. SOS relies on antiquated electronic and paper database systems to process more than two million business filings and requests for information each year. These old systems have created inefficiencies and significant backlog. As a result, SOS has been attempting to modernize the numerous systems and databases it uses to manage its business filings operations through its California Business Connect (CBC) project. SOS describes CBC as a technology solution that “will increase online services for business filings and request for information. CBC will allow the SOS to process business formation documents within a few hours or days.”
- 2) **Naming rules and purpose.** When a business registers its name with SOS, SOS must consider whether the name is allowed based on current law. However, this standard can vary based on the type of business entity, and SOS must keep a separate database for different business types. According to the author, this bill will streamline the process of approving new business names by adopting a single standard.

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