Enhance Business Services IT and Operations

Description of issue and how recommending the agency's request furthers the agency's mandates

Businesses of every size depend upon the Arizona Secretary of State's Office (the Office) Business Services Division to receive, record, and maintain official business filings, including Uniform Commercial Code (UCC) financing statements, trademarks, trade names, notary public commissions, limited partnerships, limited liability partnerships, apostilles, and numerous other statutory filings. These records establish legal rights, facilitate commercial lending, preserve official business records, and support Arizona's overall economic competitiveness.

The speed, accuracy, and reliability of these services have a direct impact on Arizona businesses. Delays in processing filings can postpone access to financing, delay commercial transactions, increase regulatory costs, and discourage entrepreneurs from locating or expanding their businesses in Arizona. Providing modern, efficient, and reliable business services is therefore both a statutory responsibility of the Office and an important component of Arizona's economic development strategy.

To improve customer service and reduce administrative burden, Arizona has invested in Arizona Business One Stop (B1S), a multi-agency initiative that simplifies business registration and licensing through a single online portal. B1S has significantly improved the customer experience by allowing entrepreneurs to complete transactions across multiple state agencies through one integrated digital platform. However, the long-term success of B1S depends upon each participating agency modernizing the legacy systems that support those services.

Achieving that vision requires replacing the Division's aging Business Services technology platform with a modern, integrated enterprise solution capable of supporting B1S and future digital government initiatives.

The Division's current information technology system, Filing and Correspondence Tracking System (FACTS), was developed in 2011 using traditional .NET architecture. Over the past decade, the application has expanded to support numerous statutory programs, resulting in a highly customized system that is increasingly expensive to maintain, difficult to enhance, and dependent upon specialized institutional knowledge held by a small number of employees and contractors. Its tightly coupled architecture makes even routine enhancements time-consuming, limits integration with B1S, and increases operational risk as experienced technical staff retire. As documented during the FACTS 2.0 planning process, the current platform also limits scalability, constrains B1S integration, and increases enterprise technology risk.

Recognizing these challenges, the legislature appropriated $1.7 million from the Automation Projects Fund (APF) in FY2026 to begin replacing the Division's legacy technology with a modern low-code/no-code platform. That appropriation was a critical investment and enabled the Office to launch FACTS 2.0, establish formal project governance, select a commercial low-code/no-code platform, initiate agile software development, and begin replacing the Division's highest-priority Business Services applications.

Importantly, the FY2026 appropriation was intentionally scoped as the first phase of a multi-year modernization strategy rather than a complete replacement of the Business Services enterprise. Rather than attempting to modernize every Business Services program simultaneously, the initial investment focused on establishing the enterprise platform that will support the Division's long-term digital transformation.

As currently structured, Phase One includes:

- Modernization of the Notary Public application and workflow;
- Replacement of the Uniform Commercial Code (UCC/UCC XML) filing system; and
- Development of the underlying FACTS 2.0 enterprise platform upon which future Business Services applications will be built.

Collectively, these projects establish the foundational architecture upon which all remaining Business Services applications will be modernized.

Significant progress has already been made. The Notary module is substantially complete, and development of the UCC/UCC XML module is underway. Together, these projects establish the core FACTS 2.0 platform that will support future modernization efforts. Once completed, Phase One will significantly improve processing efficiency, reduce manual workflows, strengthen cybersecurity, and better integrate Business Services with B1S.

While Phase One establishes the enterprise platform, it does not modernize every statutory program administered by the Division. Completing the modernization effort requires implementation of Phase Two, which includes several major statutory programs that continue to rely upon aging legacy systems.

Specifically, Phase Two includes modernization of the Partnership, Trade Name, Trade Mark, and eApostille applications. These programs continue to rely upon aging technology that requires ongoing maintenance, limits the Division's ability to expand online services, and prevents Arizona businesses from receiving the same modern, digital customer experience that will be available through the Phase One applications.

In addition, the FY2026 appropriation funded development and implementation of the initial FACTS 2.0 platform but did not establish a sustainable funding source for the ongoing costs associated with operating an enterprise technology solution. Once deployed, FACTS 2.0 will require continuous software licensing, cloud hosting, cybersecurity monitoring, vendor maintenance, technical support, platform enhancements, and future application development. Like any enterprise technology platform, FACTS 2.0 is not a one-time purchase. Its long-term success depends upon ongoing investment that allows the platform to remain secure, reliable, and responsive to evolving statutory requirements and the needs of Arizona's business community.

Technology modernization alone will not deliver better customer service unless it is paired with sufficient staffing to support Arizona’s growing business community. As the Division transitions from paper-based processes to digital self-service, customers will increasingly require technical assistance, online account support, and guidance navigating new electronic filing systems. To fully realize the benefits of FACTS 2.0 and B1S, the Office requires two additional customer service representatives to assist businesses utilizing the new digital services and one information technology professional to administer, maintain, secure, and enhance the FACTS 2.0 platform following implementation.

Continued investment in FACTS 2.0 will allow the Office to complete modernization of its remaining legacy applications, fully integrate Business Services with B1S, preserve millions of Arizona's official business records, improve customer service, strengthen cybersecurity, reduce long-term operating costs, and provide Arizona businesses with secure, reliable, and efficient digital services that support economic growth throughout the state.

Proposal

Amend the relevant statutes to authorize the Office to deposit approximately $1.7 million in existing annual Business Services fee revenue into the Data Processing Acquisition Fund (DPAF), rather than the state General Fund, to establish a dedicated, sustainable funding source for the ongoing modernization, operation, maintenance, cybersecurity, and enhancement of the Division's information technology systems.

The proposal will allow the Office to:

- Complete Phase Two of the FACTS 2.0 modernization project, including replacement of the Partnership, Trade Name, Trademark, and eApostille applications.

- Support ongoing software licensing, cloud hosting, cybersecurity, vendor maintenance, technical support, and future platform enhancements.
- Continue integrating Business Services applications with B1S.
- Preserve and improve public access to Arizona's official business records through continued digitization and electronic document management.
- Strengthen partnerships with Arizona's business community to promote entrepreneurship, business formation, and job creation.
- Support three additional positions, consisting of two customer service representatives and one information technology professional, necessary to sustain and support the modernized Business Services platform.

Alternatives considered and reasons for rejection

The Office considered continuing to rely upon periodic one-time appropriations to modernize Business Services technology. While one-time appropriations have enabled meaningful progress, they do not provide the predictable funding necessary to maintain enterprise technology systems that require continuous software updates, cybersecurity improvements, vendor support, cloud hosting, and ongoing system enhancements.

The Office also considered delaying modernization until future appropriations become available. This approach was rejected because maintaining aging systems increases maintenance costs, extends reliance on manual processes, delays customer service improvements, and ultimately increases the total cost of modernization.

Establishing a sustainable funding source through existing Business Services fee revenue provides the greatest long-term value while ensuring that the businesses utilizing these services directly benefit from continued technology improvements.

Impact of not funding this fiscal year

Failure to establish a sustainable funding source for Business Services modernization would significantly delay completion of the FACTS 2.0 modernization initiative and limit B1S's ability to deliver fully integrated digital services.

Without ongoing investment, the Office would be forced to continue operating multiple legacy applications requiring increasing maintenance while delaying implementation of the Phase Two Partnership, Trade Name, Trademark, and eApostille applications. The Office would also lack the resources necessary to maintain and enhance the FACTS 2.0 platform after deployment, increasing long-term operational and cybersecurity risk.

In addition, insufficient staffing would limit the Office's ability to provide customer support for Arizona's expanding portfolio of digital business services, reducing many of the customer service benefits anticipated through B1S and FACTS 2.0.

Over time, deferred modernization would increase operating costs, reduce staff efficiency, lengthen processing times, increase cybersecurity risk, and place Arizona at a competitive disadvantage relative to states that have invested in modern digital business filing systems.

Conversely, continued investment will reduce processing times, improve transparency, strengthen cybersecurity, preserve Arizona's official business records, improve customer service, and support economic growth by making it easier to start, operate, and expand businesses throughout Arizona.

Statutory reference

- A.R.S. § 41-126
- A.R.S. § 41-441 (Data Processing Acquisition Fund)
- A.R.S. § 29-366
- A.R.S. § 41-1232
- A.R.S. § 41-1275
- A.R.S. § 13-3722
- Other applicable statutes governing Business Services filings and fee collections.

Equipment to be purchased

Funding will support cloud services, software licensing, enterprise document management systems, digitization equipment and services, workflow automation tools, cybersecurity solutions, application modernization, and related information technology necessary to support Business Services operations.

Classification of new positions

Customer Service Representative (2): These positions will provide customer support for Arizona businesses utilizing B1S and the FACTS 2.0 platform, including assistance with electronic filings, online account management, document retrieval, and other digital business services. The positions will help ensure businesses receive timely assistance as additional services transition from paper-based processes to online self-service.

Information Technology Professional (1): This position will administer, maintain, secure, and enhance the FACTS 2.0 enterprise platform; coordinate software updates and vendor maintenance; manage cloud-hosted services and system integrations; support cybersecurity initiatives; and ensure the long-term reliability and performance of the Business Services technology environment.

Annualization

Approximately $1.7 million annually through existing Business Services fee revenue deposited into the Data Processing Acquisition Fund.