

ANALYSIS OF AMENDED BILL

Franchise Tax Board

Author: Leno Analyst: Deborah Barrett Bill Number: AB 1668
Related Bills: See Legislative History Telephone: 845-4301 Amended Date: April 11, 2007
Attorney: Patrick Kusiak Sponsor: _____

SUBJECT: State Agencies Create Exchange Maintain & Preserve All Electronically Produced Text Documents, Spreadsheets And Presentations In Open File Format Approved By State Chief Information Office

SUMMARY

This bill would require that all electronic documents created, exchanged, or preserved by Franchise Tax Board (FTB) be done in a specified file format.

SUMMARY OF AMENDMENTS

The April 11, 2007, amendments removed references to an XML format and specify that the electronic documents created, exchanged, maintained, and preserved by a state agency be in an open file format approved by the State Chief Information Officer (CIO).

This is the department's first analysis of this bill.

PURPOSE OF THE BILL

According to the author's staff, the purpose of the bill is to ensure interoperability of electronic documents created by state agencies, which would improve efficiency in the exchange of data.

EFFECTIVE/OPERATIVE DATE

This bill would be effective on January 1, 2008, and be operative as of that date.

POSITION

Pending.

Board Position:	Department Director	Date
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<input checked="" type="checkbox"/> PENDING	Lynett Iwafuchi for Selvi Stanislaus	5/11/07

ANALYSIS

FEDERAL/STATE LAW

There are currently no federal or state laws prescribing format requirements for electronic documents created by state agencies.

Under current state law, the Department of Technology Services has been established to coordinate the use of technology and coordinate and cooperate with all state agencies to eliminate duplication of technology development.

THIS BILL

This bill would require state agencies to create, exchange, maintain, and preserve all electronically produced text documents, spreadsheets, and presentations in an open file format approved by the CIO. This bill authorizes the CIO to approve any file format that meets the following criteria:

- Interoperable among diverse internal and external platforms and applications,
- Fully published and available royalty-free,
- Fully and independently implemented by multiple software providers on multiple platforms without intellectual property restrictions for necessary technology, and
- Developed and maintained by an open industry organization with a well-defined, inclusive process for evolution of the standard.

This bill requires a state agency to be able to accept all electronically produced text documents, spreadsheets, and presentations in an open file format approved by the CIO.

This bill requires the CIO to develop guidelines for state agencies and departments to follow in determining whether to convert electronic text, spreadsheets, and presentations existing prior to January 1, 2008, to an approved open file format. The guidelines are to consider the following:

- Cost of conversion,
- Potential cost savings of migrating to applications supporting an approved open file format,
- Need to ensure public access, and
- Expected storage life of the electronic text document, spreadsheets, and presentations.

This bill requires state agencies to migrate to each open file format approved by the CIO during the regularly scheduled software upgrade cycle immediately after the agency or department receives notice that the CIO approved the open file format.

PROGRAM BACKGROUND

Taxpayers can download, view, and print California tax forms from FTB's website by using a free version of Adobe Reader to view and print the tax forms. Fillable tax forms are also available that allow the taxpayer to enter personal information directly onto the form and allows taxpayers to save some filled-in forms through use of the free copy of the Adobe Reader. Forms received are in Adobe's Portable Document Format (PDF).

In addition to tax return information, significant amounts of data are received and transmitted from FTB on an annual basis. These data exchanges come from a diverse universe of data sources, including other state agencies, federal agencies, private industry, and taxpayers. File formats can vary greatly, depending on the source of the data received, with some file formats prescribed by federal regulations. Data is normally exchanged in a fixed record length format, such as text files or flat files, and are accepted on tapes, CDs, and through a secure internet file transfer process known as SWIFT.

FTB generates and mails 1099-G interest statements to certain taxpayers and coordinates the state reportable payment program for many of the state agencies. The state reportable payment program creates forms 1099-S, 1099-Misc, and 1099-Int and mails the forms to taxpayers and transmits a file to the IRS on behalf of other state agencies.

FTB currently uses a number of open file formats in its daily business operations. A few of these formats include PDF, TXT, HTML, and XML. The variety of file formats allows the department to service a variety of taxpayer needs. Microsoft Office applications, Adobe reader, and PDF are used extensively at FTB for consistency, reliability, and relative safety.

IMPLEMENTATION CONSIDERATIONS

The department has identified the following implementation concerns. Department staff is available to work with the author's office to resolve these and other concerns that may be identified.

The bill would not make a distinction between confidential or public documents. Clarification would assist FTB to implement this bill's provisions as intended by the author.

Much of the confidential tax information exchanged with other state agencies consists of data maintained in a fixed record length format, specifications of which have been worked out between the agencies exchanging data. It is unclear whether the author intends these electronic transmissions of data files to be considered "electronic documents" subject to the format requirements of this bill. Clarification would assist FTB to determine the extent of the impact of this bill's provisions on its programs and operations.

Currently, FTB exchanges data files with the IRS that are in a fixed record length format that is prescribed by the IRS. Any files created by FTB and sent to the IRS need to be in the designated format, including the 1099-G and state reportable payments data. This bill could jeopardize the current information sharing agreement in place with the IRS. It is recommended that the author consider including an exception for federal/state information sharing.

Due to the scale of changes this bill would require in the department's programs that coordinate data exchanges both internally among multiple systems and externally with data providers, FTB would be unable to implement the bill's requirements within the specified timeframes of January 1, 2008. It is recommended that FTB be allowed to adopt a phased-in approach for implementing the file format changes to minimize disruption to current business processes.

FISCAL IMPACT

Because the use of proprietary software is embedded in all aspects of the department's computing and desktop applications, implementing this bill would require the following:

- Additional training of staff on using new software,
- Additional software for the multiple desktop platforms in the department,
- Additional hardware to accommodate greater data storage associated with programs utilizing open-file formats, and
- Reprogramming of existing systems to ensure documents output is consistent with the formats prescribed in this bill.

The department would also need to examine the status of current software license agreements to determine whether additional costs may be incurred for discontinuing an otherwise valid agreement before the end of its established terms. A cost estimate to implement this bill will be developed as the bill progresses through the legislative process and the implementation concerns identified in this analysis are resolved.

ECONOMIC IMPACT

To the extent the implementation concerns identified in this analysis are resolved, particularly those related to data exchanges with non state entities, this bill would not impact state income tax revenues.

POLICY CONCERN

When considering a single standard format for state agencies to use, the author may want to consider the disparate business partners of state agencies', such as federal agencies, private industry, and other states. The information exchanged with many of these partners is critical to tax administration with FTB and other state agency operations. Settling on a single file format for documents provided to these agencies may limit the flexibility needed to accommodate these critical business partners.

LEGISLATIVE STAFF CONTACT

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