

STATE OF CALIFORNIA

FRANCHISE TAX BOARD

PUBLIC MEETING

THURSDAY, JUNE 13, 2019

1:45 P.M.

GERALD GOLDBERG AUDITORIUM

9646 BUTTERFIELD WAY

SACRAMENTO, CALIFORNIA

STENOGRAPHICALLY REPORTED BY:  
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INDEX

ITEM NO.		PAGE
1.	Approval of Minutes	6
	March 14, 2019, Meeting	
2.	Effective Compliance - A Strategic Approach	6
3.	Filing Season Update	10
4.	Sustaining Great Leadership	33
5.	Administrative Matters	
A.	Conceptual 2020-21 Budget Change Proposals - Informational Item	
1.	Legislative-California Competes Tax Credit (CTC)	44
2.	Mainframe Workload Growth	45
3.	Vehicle Registration Collections (VRC) System Modernization	45
4.	Accessibility	46
5.	Enterprise Data to Revenue Project - Phase 2	47
6.	Capital Outlay Budget Change Proposal: Campus Improvements - Security	48
6.	Executive Officer's Time	49
7.	Board Members' Time	50
	Adjournment	55
	Reporter's Certificate	56
	Errata Sheet	57

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1  
2  
3  
4  
5  
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A P P E A R A N C E S

**BOARD MEMBERS**

YVETTE STOWERS  
Deputy State Controller  
(Acting Chairperson of the Board)

MALIA M. COHEN  
Board of Equalization  
Chairperson

GAYLE MILLER  
Chief Deputy Director  
Department of Finance

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**STAFF**

SELVI STANISLAUS  
Executive Director

DAWN CASEY  
Board Liaison

JOZEL L. BRUNETT  
Chief Legal Counsel

SHANE HOFELING  
Assistant Chief Counsel

LYNN CHAU  
Audit Division

ADAM CLARK  
Audit Division

FRANK CURCURO  
Accounts Receivable Management Division

KEITH PARSLEY  
Filing Division

TIPHANIE WEISS  
Financial Management Bureau

1                   A P P E A R A N C E S   C O N T I N U E D

2                   **STAFF CONTINUED**

3                   ALLEN WILSON  
4                   Filing Division

5                   SONIA WOODRUFF  
6                   Legal Division  
7                   ---o0o---

8                   **ALSO PRESENT**

9                   PAUL STEFFEN  
10                  Public Participant

11                  ---o0o---

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1 SACRAMENTO, CALIFORNIA

2 THURSDAY, JUNE 13, 2019, 1:45 P.M.

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4 ACTING CHAIRPERSON STOWERS: Good afternoon. All  
5 righty. This is the scheduled meeting for the Franchise  
6 Tax Board.

7 Would the board liaison please call the roll to  
8 determine if a quorum is present.

9 MS. CASEY: Member Cohen?

10 MEMBER COHEN: Present.

11 MS. CASEY: Deputy-Chair Yvette Stowers?

12 ACTING CHAIRPERSON STOWERS: Present.

13 At least two members or their designated  
14 representatives being personally present, there is a  
15 quorum, and the Franchise Tax Board is now in session.

16 Please stand and join me in the Pledge of  
17 Allegiance.

18 (Pledge of Allegiance was recited  
19 in unison.)

20 ACTING CHAIRPERSON STOWERS: The public has the  
21 right to comment on each agenda item. If there are any  
22 members of the public wishing to -- wishing to speak on  
23 an item, please come forward when the item is called,  
24 and you will have three minutes to address the board.

25 The first item, Members -- or Member, is approval

1 of the minutes. We have the minutes of March 14, 2019,  
2 board meeting.

3 MEMBER COHEN: Good afternoon, ladies and  
4 gentlemen.

5 I would like to make a motion to approve the  
6 minutes.

7 ACTING CHAIRPERSON STOWERS: I second that  
8 motion.

9 Without objection, the motion passes.

10 Item number 2 is a PowerPoint presentation on  
11 effective communication -- effective compliance, a  
12 strategic approach, presented by Lynn Chau and Adam  
13 Clark. This is an informational item. And I do believe  
14 we have public comment on this item. We will take  
15 public comment after the presentation.

16 Ms. Chau.

17 MS. CHAU: Thank you.

18 Good afternoon. My name is Lynn Chau, and with  
19 me to present today is my colleague, Adam Clark. We are  
20 both managers at the Audit Division here at FTB.

21 Today we would to share with you a little bit  
22 about effective compliance through a strategic approach.  
23 Though this effort only begun in the last couple of  
24 years, we have already seen some encouraging results.

25 Our mission here at the Franchise Tax Board is to

1 help taxpayers file timely and accurate tax returns, as  
2 well as pay the correct amount of tax in order to fund  
3 the services that are important to Californians.

4 To achieve that mission, FTB focuses on each of  
5 our foundational strategic goals:

6 These strategic goals include being taxpayer  
7 centric. This has to do with how we interact with our  
8 customers to help them fulfill their tax obligations;

9 Strong organization and operational excellence.

10 These are the last two goals you see on the pillars.

11 They have to do with how FTB operates, specifically the  
12 value we place on our employees and how we seek best  
13 practices and efficiencies in all of our processes and  
14 procedures.

15 In our presentation today is the second pillar,  
16 effective compliance, which has to do with FTB's  
17 commitment to fairly administer the tax law to ensure  
18 taxpayers file and pay the correct amount.

19 When we built our strategic plan, we understood  
20 that most taxpayers were compliant; in other words, they  
21 filed their taxes correctly and paid on time. We call  
22 this compliance path the blue path. And as you see from  
23 the chart, the majority of the revenue we collect for  
24 the State's General Fund is from those taxpayers who do  
25 the right thing.

1           But some of our revenue comes from taxpayers who,  
2 for whatever reason, fall into noncompliance; they  
3 either don't file timely, don't pay, or they file  
4 incorrectly. We refer to the noncompliance path as the  
5 red path.

6           We also recognize that most of the taxpayers in  
7 the red path don't really intend to be there. The  
8 average person doesn't set out to do anything wrong.  
9 Sometimes life just happens or income tax laws are  
10 misunderstood.

11           Regardless of the reason, taxpayers on the red  
12 path are much more costly to address than those in  
13 compliance, on the blue path.

14           The reality is that while most of our revenue  
15 comes from blue path taxpayers, most of our operating  
16 budget is spent on taxpayers caught on the red path,  
17 regardless of their reason for being there.

18           We are here today to talk to you about how we are  
19 actively trying to nudge more taxpayers from the red  
20 path of noncompliance back onto the blue path by using  
21 more education and outreach methods to complement the  
22 traditional audit strategies. This approach leads to  
23 overall benefits for both taxpayers and the State of  
24 California.

25           The first step in our strategic approach to



1 effective compliance includes a strategy to improve  
2 accuracy of returns. We do this by trying to educate  
3 taxpayers we have identified with potential areas of  
4 noncompliance in their filing history. We focus on ways  
5 to use existing data, data mining tools, and shared  
6 knowledge to identify the best cases to receive  
7 education letters.

8 We also limit our focus by using internal tools  
9 and statistical data directly from the tax returns that  
10 are filed to identify specific taxpayer segments who  
11 might be at risk of noncompliance. This approach allows  
12 us to narrow down the universe of taxpayers and only  
13 send letters to taxpayers who are potentially impacted.

14 By employing these types of strategies, we can  
15 proactively contact taxpayers to provide them with  
16 helpful information so that they can file their next  
17 year's return accurately, versus a reactive approach  
18 following our normal audit procedures, which includes an  
19 audit of their filed tax returns.

20 In essence, we are providing them with an  
21 opportunity to self-correct to quickly return to the  
22 blue path.

23 Step 2 involves analyzing the data we obtain from  
24 internal tools to get a better understanding of common  
25 errors or mistakes that are occurring. This will help

1 us determine whether the educational letters are good  
2 strategies for addressing the noncompliance. In some  
3 instances, a thorough analysis of the data shows the  
4 following taxpayer-specific segment warrant a reminder  
5 of their tax obligations:

6 Those reporting higher than average or expected  
7 deductions;

8 Taxpayers submitting incomplete or missing forms  
9 or schedules;

10 And those with data from filed tax returns that  
11 does not appear to be in line with the current tax laws.

12 Again, our desire is to encourage self-correction  
13 rather than conducting audits of these taxpayer-specific  
14 segments.

15 Step 3. Once we know our taxpayer-specific  
16 segments, we send educational letters as part of our  
17 strategy to bring these taxpayers into compliance. Our  
18 intention with this effort is to make sure these  
19 taxpayers are better informed when they go to prepare  
20 the next tax return. The -- these letters offer  
21 assistance to help them understand their tax obligations  
22 and provide helpful information for their specific tax  
23 issue.

24 It is important to note that we are considering  
25 this an educational campaign to ensure taxpayers have

1 all the information to make a well-informed decision  
2 prior to filing their tax returns. The educational  
3 letters are purposely designed to be a less intrusive  
4 contact with the taxpayers as opposed to needing to open  
5 an audit.

6 This way, we can help nudge taxpayers that  
7 potentially could be veering off the blue path, back to  
8 the path of self-compliance. This strategy not only  
9 benefits the State but the taxpayers as well.

10 And now, Adam will talk to you more about the  
11 type of letters we send out, expand more on the benefits  
12 of an educational approach, and discuss what's next.

13 MR. CLARK: Thank you, Lynn.

14 As Lynn noted, this effort is designed as a  
15 campaign for taxpayers to conscientiously evaluate their  
16 tax return data and correctly file that next return. In  
17 some instances, these taxpayers' filing history did  
18 identify them at risk for potential noncompliance.

19 Some examples of the education campaign letters  
20 we have sent include the most misunderstood or  
21 inaccurately applied tax laws, such as itemized  
22 deductions, corporate miscellaneous expenses, head of  
23 household filing status, California like-kind exchanges,  
24 and corporate nonfilers.

25 For purposes of time today, I will touch briefly

1 on just a few of those:

2 Our letters to taxpayers claiming itemized  
3 deductions or corporate miscellaneous expenses are on  
4 effort to see if a little education can go a long way in  
5 helping those taxpayers file accurately. By using our  
6 data analysis tools, we identify taxpayers with  
7 unusually high deductions or expenses. The focus of  
8 those letters was to educate taxpayers to include only  
9 deductible amounts they are legally entitled to claim,  
10 and to maintain and provide appropriate supporting  
11 documentation for all deductions claimed.

12 Another type of letter we sent was to taxpayers  
13 that forgot to attach or provided incomplete required  
14 forms with their tax returns, especially a couple of our  
15 newer forms, the 3532 for claiming head of household and  
16 the 3840 for reporting a like-kind exchange.

17 Rather than conduct a traditional audit for those  
18 taxpayers that didn't attach those proper forms or  
19 provided incomplete information on those forms, we sent  
20 them letters explaining the filing requirements of the  
21 forms so they would be informed of the proper way to  
22 file when filing their next return, as well as how to  
23 correct their current filing.

24 The third type of letter reminds corporate  
25 taxpayers of their tax return filing obligation. We

1 want to educate these businesses that may not be aware  
2 of or fully understand the newest apportionment rules,  
3 and give them a chance to get those returns filed and  
4 avoid a future contact by FTB.

5 We recognize several positive benefits to our  
6 strategic education approach:

7 It's efficient;

8 It reaches out to only specific-taxpayer segments  
9 who are at risk of noncompliance, rather than an entire  
10 populace;

11 It also brings taxpayers into self-compliance  
12 with direct taxpayer education, moving them from the red  
13 path on to the blue path with a gentle nudge in the  
14 right direction;

15 It also creates transparency. By reaching out to  
16 these taxpayers and openly sharing with them education  
17 and resources to self-correct, we're providing them with  
18 a transparent look into what we would identify as  
19 potentially problematic. And it demonstrates that we  
20 have the taxpayer's best interest in mind;

21 It's also less intrusive and more cost effective  
22 than a full audit, simply by influencing the taxpayer's  
23 behavior;

24 Finally, it provides a better customer experience  
25 with the same results, once again, shifting taxpayers

1 from the red path to the blue path.

2           Anytime we can offer the taxpayer the opportunity  
3 to self-correct, rather than be audited, I would say  
4 that's a much better experience for that customer.

5           Now I would like to share with you Joe's story to  
6 illuminate the impacts and desired outcome of our  
7 education letters. Joe is a busy man: He works  
8 full-time; he coaches his kid's baseball team; and he's  
9 just busy with life. Joe and his wife are just happy  
10 when they get a few minutes in the evening to sit down  
11 and watch the final episode of "Game of Thrones."

12           For several years, Joe has been required to spend  
13 money on items for his job and then his company  
14 reimburses him for most of those items on his paycheck.  
15 Joe and his wife are very responsible with their  
16 finances and like to save money by doing their taxes  
17 themselves.

18           Joe has always claimed those work expenses as  
19 itemized deductions when he files his return. His  
20 relatives and friends have always talked about the  
21 different types of expenses they deduct on their taxes  
22 so he never thought twice about doing the same. After  
23 all, Joe isn't a tax expert and he doesn't have a lot of  
24 time to spend researching tax laws.

25           Unfortunately, what Joe hadn't realized was that

1 he wasn't supposed to be deducting those expenses that  
2 were reimbursed by his employer. He was on the red path  
3 and he didn't even know it.

4 After doing some data analysis, FTB noticed that  
5 Joe's itemized deductions were quite a bit higher than  
6 most for several years in a row. At that point, it  
7 would have been normal for FTB to send him an audit  
8 letter, requesting Joe provide information and documents  
9 to support his deductions.

10 As you can imagine, that would have been likely a  
11 daunting task for Joe and his wife, who know very little  
12 about income taxes. It also would have been an  
13 expensive way for FTB to bring Joe back to the blue  
14 path.

15 Instead, FTB sent Joe an education letter at the  
16 beginning of the year when he was getting ready to file  
17 his next return. Understandably, Joe was still  
18 apprehensive when he opened that government letter from  
19 FTB. But the letter just informed him that his  
20 deductions had seemed unusually high, and gave him some  
21 quick information to help him get familiar with the  
22 rules to remember for his next return.

23 After getting that letter, Joe looked into it and  
24 found out that he wasn't supposed to be taking some of  
25 those deductions. When he filed the next return, he

1 lowered his deductions to only those that he was allowed  
2 to take. In addition, like many taxpayers who want to  
3 do the right thing, Joe decided to amend his previous  
4 tax returns as well.

5 This is a simple example of Joe's story that  
6 illustrates the desired outcome of our effective  
7 compliance by using more education and outreach to guide  
8 taxpayers towards self-compliance.

9 Moving forward, we plan to continue to analyze  
10 the data to determine areas for further education and  
11 outreach. Our goal is to incorporate any lessons  
12 learned into other education and outreach opportunities  
13 in order to make it easier for taxpayers to file  
14 accurately.

15 We sincerely believe that nudging taxpayers  
16 towards self-correction and self-compliance will  
17 continue to reap positive benefits for the taxpayer and  
18 the State of California.

19 In fact, during the short time since we  
20 implemented these education campaign letters, we're  
21 encouraged to see taxpayers responding towards  
22 self-correction and reentering the blue path.

23 This just reinforces what we've believed all  
24 along: Most people don't want to be on the red path or  
25 intend to end up there. It makes us feel proud that a



1 simple letter is able to make a difference for the  
2 taxpayer.

3 At FTB, we're always looking for ways to improve  
4 our processes and customer experience. In this case,  
5 that means helping our customers possibly avoid a  
6 contact from FTB. By guiding them towards  
7 self-correction, we can potentially save the taxpayer,  
8 as well as the state, time and money. To us, that's a  
9 win-win.

10 Thank you for your time and allowing us to  
11 present to you today. We are happy to answer any  
12 questions you might have.

13 ACTING CHAIRPERSON STOWERS: Thank you.

14 I believe we have public comments.

15 Sir, please state your full name.

16 MR. STEFFEN: Absolutely.

17 ACTING CHAIRPERSON STOWERS: And excuse me, sir.  
18 You have three minutes to present your comments.

19 MR. STEFFEN: I'm going to do my best.

20 ACTING CHAIRPERSON STOWERS: Okay.

21 MR. STEFFEN: So my name is Paul Steffen  
22 (phonetic). I own a small property management in  
23 Claremont, California. And I drove up today to take  
24 advantage of this opportunity provided to me.

25 Apparently, I was on the red path and didn't know

1 it.

2 And I wanted to address you regarding a  
3 regulation that I think was possibly well-intended but  
4 functionally difficult, for those of us that are small  
5 business people, to understand and operate through. And  
6 that specifically is the adoption of regulations for  
7 nonresident withholding in regards to property  
8 management companies being held responsible for that.

9 In 2008, the Legislature adopted Revenue and  
10 Taxation Code 18662, that provided a rough framework for  
11 collecting taxes for income earned on nonresidents --  
12 nonresidents in the state of California that earned  
13 income here.

14 In 2011, having done some research, I learned  
15 that the FTB, as part of its program -- that was  
16 relatively new at that time -- called Withholding  
17 At-Source System, developed specific regulations to  
18 ensure taxes were collected from those nonresidents,  
19 which I think is a great idea.

20 Part of that included, though, property  
21 management companies. And one thing that segregates  
22 collecting on rental income, where there's a property  
23 involved, is that that asset doesn't leave the state of  
24 California. And I believe the Franchise Tax Board erred  
25 in that they had much simpler methodologies for

1 collecting that money that didn't involve the property  
2 management company. Each and every year, I sent in  
3 1099s to the IRS, which I believe that data is shared  
4 with the Franchise Tax Board. On that 1099, there's a  
5 box checked for rental income and the total amount of  
6 that rental income collected.

7 At no time -- since the adoption of RTC 18662,  
8 through the adoption of your regulations -- as a  
9 property management company, was I ever notified of my  
10 error and not understanding that I had to withhold money  
11 from my few clients that are outside of the state of  
12 California.

13 I would encourage the Franchise Tax Board to  
14 reconsider their position regarding this and consider  
15 that it might be in the best interest to utilize the  
16 information provided by the IRS, cross-referencing it  
17 with their tax returns received, looking at the gap.  
18 You have an opportunity, which actually happened in  
19 2012, when the Franchise Tax Board contacted me about  
20 one of my clients and asked me to levy their income for  
21 a specific dollar amount of unpaid taxes. I did so. I  
22 thought that's how the system worked, to my, I guess,  
23 detriment.

24 So the Franchise Tax Board actually has the  
25 opportunity to not only levy, but to lien the property.

1 I think that's much better than putting the burden on  
2 the small business owner, who is now basically horribly  
3 affected in my ability to stay in business.

4 My penalty is about \$16,000. I believe that  
5 probably wasn't a very nice nudge back on to the blue  
6 path, and I think it could have been done much, much  
7 better. And I would encourage you to modify -- and I'm  
8 glad you are looking at these opportunities to do things  
9 better, but include business as well. Okay? So that's  
10 it for me.

11 ACTING CHAIRPERSON STOWERS: Thank you, sir.

12 Wow. Is Ms -- is our advocate here? Is Susan  
13 Maples in the audience?

14 MS. MAPLES: Yes. Here.

15 ACTING CHAIRPERSON STOWERS: Ms. Maples, would  
16 you talk to him further? This sounds like maybe  
17 something we can look at for -- in our Taxpayer Rights  
18 portion of the year, and maybe -- the program needs to  
19 speak with him as well. That would be great.

20 MS. MAPLES: We'll make contact after the  
21 meeting.

22 MR. STEFFEN: I will be right here.

23 (Laughter)

24 ACTING CHAIRPERSON STOWERS: Thank you, sir.

25 MR. STEFFEN: Thank you.

1           ACTING CHAIRPERSON STOWERS: Any more comments?

2           MEMBER COHEN: I actually do have, maybe, two  
3 questions for staff.

4           First, I just want to say, good afternoon,  
5 everyone. It's nice to see so many people coming out,  
6 participating and caring about what's going on at the  
7 FTB.

8           So to staff, I was curious to know if the FTB has  
9 conducted any -- any type of best practices review of  
10 the compliance strategies of other large states.

11          MR. CLARK: Not that I am aware of. I think --  
12 yeah, I kind of feel like we're a little bit on the  
13 forefront on this, as far as we're aware.

14          MEMBER COHEN: Okay. I am just curious to know  
15 if any other states have any other best practices  
16 learned or any other pitfalls that we can begin to avoid  
17 as we continue to roll out this new initiative.

18          MR. CLARK: I'm not aware of any, but I think it  
19 would be a good idea to check in with them and see what  
20 we can learn.

21          MEMBER COHEN: Okay. Next question is, I was  
22 curious also to note, the FTB analyzed the compliance  
23 rates of different taxpayers. So for -- different types  
24 of taxpayers. So, for example, high income filers  
25 versus low income filers.

1           Is there any -- is there a profile that you were  
2           able to begin to develop or work from?

3           MR. CLARK: I think we're sort of in the  
4           beginning stages of this, but I think that goes into the  
5           data analysis that we want to do as we further this --  
6           these kind of efforts.

7           MEMBER COHEN: So something else we should begin  
8           to look at also is the multi-state businesses versus  
9           California-only businesses, C Corporations versus S  
10          Corporations, so begin to see if there's any kind of  
11          pattern there so that we can continue to produce a good  
12          product that's clear, succinct, easy to understand, and  
13          get everyone off the red path.

14          MR. CLARK: Absolutely.

15          MEMBER COHEN: But other than that, I think it  
16          was fantastic. Congratulations. This is something  
17          we're going to be continually be implementing as we move  
18          forward.

19          MR. CLARK: Thank you.

20          MEMBER COHEN: Yeah. Thank you.

21          ACTING CHAIRPERSON STOWERS: Thank you,  
22          Ms. Cohen.

23                 I have a question regarding the educational  
24          letters with respect to the like-kind exchange.

25                 Do you have any data on it yet, on the response

1 you are getting?

2 MR. CLARK: I am not aware of that. I think we  
3 could follow up though, if we do.

4 ACTING CHAIRPERSON STOWERS: Is it still too new  
5 in the program?

6 CHIEF COUNSEL BRUNETT: I think it's still too  
7 new. We definitely will be gathering the data.

8 ACTING CHAIRPERSON STOWERS: And with respect to  
9 the letters, we can expect to see a decline in audit  
10 letters as well, since we are doing these educational  
11 letters?

12 MR. CLARK: That's definitely our goal.  
13 Absolutely.

14 ACTING CHAIRPERSON STOWERS: Okay. All righty.

15 Item number 3.

16 Thank you guys very much. Appreciate it.

17 We're now on Item number 3, which is a PowerPoint  
18 presentation on the 2019 Filing Season Update, presented  
19 by Allen Wilson and Frank -- Frank. I'm sorry. I was  
20 corrected three times. I even called your voice mail to  
21 get this pronouncement and I still can't keep it in my  
22 head.

23 (Laughter)

24 MR. CURCURO: It's Curcuro.

25 ACTING CHAIRPERSON STOWERS: I do apologize.

1 MR. CURCURO: No worries.

2 ACTING CHAIRPERSON STOWERS: You have the floor.

3 MR. WILSON: Good afternoon, Board Members, and  
4 thank you for your time here today.

5 My name is Allen Wilson, and I work in the Filing  
6 Division of the Franchise Tax Board, and to my left is  
7 Frank Curcuro of our Accounts Receivable Management  
8 Division.

9 At the March board meeting, we talked about some  
10 of the unique characteristics -- challenges that we were  
11 expecting for the 2019 filing season. We promised that  
12 we had planned well to meet those challenges and fully  
13 expected to return in June to report on a very  
14 successful filing season, and here we are.

15 We would like to share just a few highlights that  
16 made this season very successful:

17 We gathered significant amounts of data in order  
18 to evaluate our performance as an enterprise. All of  
19 these metrics are very important to help guide us as we  
20 make decisions on resources and workloads.

21 Rather than just read a list of facts and  
22 figures, we thought you would appreciate a short video  
23 instead to show you all that we've accomplished so far  
24 this year in regards to our filing season. So please  
25 direct your attention to the video screen and prepare to



1 be impressed.

2 (Video presentation)

3 (Applause)

4 MR. WILSON: Some great stats, and I love those  
5 shots of the VITA volunteers. So thank you for letting  
6 us share our video with you.

7 MEMBER COHEN: That was absolutely amazing.  
8 Really exciting. I didn't even know you guys produced  
9 beats out here at FTB.

10 (Laughter)

11 MEMBER COHEN: Then we find out you got a  
12 recording studio in here. I am going to lay a couple of  
13 tracks and we're going to have a FTB soundtrack. Could  
14 you imagine Selvi walking in on that music?

15 (Laughter)

16 MEMBER COHEN: I love it. I need to get a copy  
17 of that.

18 (Applause)

19 MR. WILSON: We would love to have you. Wait  
20 till you see these lights go too.

21 (Laughter)

22 MEMBER COHEN: I knew you guys had it going on,  
23 but wow.

24 MR. WILSON: So some more numbers here. Every  
25 chance we get, we do like to take the opportunity to

1 champion our electronic services that we make available  
2 to taxpayers, whether it's e-file, online payment  
3 options, or any of our online self-service options.

4 This year, we are thrilled to report that  
5 electronic payments increased by about 450,000 payments,  
6 as compared to last year, which is a 15 percent  
7 increase. Electronic payments are the fastest, easiest,  
8 and most accurate way for taxpayers to remit payment to  
9 us. And we continue to see a shift from paper checks to  
10 electronic payments. This is great news.

11 Another key metric for us to evaluate our  
12 performance each year is the speed with which we deliver  
13 our refunds to our personal income tax filers. We know  
14 that these funds are important to Californians, so we do  
15 our very best to get them an accurate refund as quickly  
16 as possible.

17 I'm thrilled to share that, again, in 2019, we  
18 have done a fantastic job of doing this. To date,  
19 88 percent of taxpayers receive their refund within 14  
20 days, and 98 percent receive their refund within 30  
21 days. These are tremendous numbers, and we're very,  
22 very proud of them.

23 This efficiency in refund delivery ensures that  
24 not only taxpayers get their money back quickly, but by  
25 meeting our statutory interest cutoff dates, the State

1 benefits fiscally by not having to pay interest  
2 unnecessarily.

3 All of our successes that we have discussed here  
4 today only come as a result of careful planning and  
5 coordination between our business and our IT staff.

6 As you may recall, at the March board meeting,  
7 when we last updated you on our filing season efforts,  
8 we had a couple of significant challenges thrown our way  
9 for the 2019 season. We had the perfect storm and we  
10 had federal tax return -- federal tax reform. To recap,  
11 "perfect storm" is the term that we use when the tax  
12 filing deadline of April 15th falls on a Monday, like it  
13 did this year. Frank will be sharing more about our  
14 perfect storm mitigations later in the presentation.  
15 So, for now, I will just say that our planning and our  
16 forecasting efforts were a great success and we  
17 weathered the perfect storm.

18 In regards to federal tax reform, our tax forms  
19 development team and all our public facing customer  
20 service teams did an amazing job to ensure that our  
21 customers had all the information available to them in  
22 order to clearly understand their tax obligations from a  
23 California perspective. This included not only revising  
24 forms and instructions, but training hundreds of staff  
25 to help them become familiar with federal tax changes

1 and the impacts on the California tax filing.

2 We would like to thank all of these dedicated  
3 individuals for a job well done.

4 And now I would like to pass it over to Frank to  
5 continue our presentation.

6 MR. CURCURO: Thank you, Allen, and good  
7 afternoon everybody.

8 As Allen mentioned, knowing that April 15th would  
9 fall on a Monday, FTB began planning ahead for this  
10 year's filing season in May of 2018. We also  
11 anticipated taxpayers would be struggling to figure out  
12 how federal tax reform affected their California taxes.  
13 Our term for this predicted event was the "perfect  
14 storm."

15 We expected our e-file and other critical filing  
16 systems would be stretched to their limits, our web  
17 visits would be high, and the projected phone call  
18 volumes to be as much as 35 percent higher than last  
19 year's volumes.

20 In preparation, FTB put together contingency  
21 plans to ensure we had coverage and that our systems  
22 could handle the increased activity.

23 Several divisions worked together to develop  
24 mitigation strategies to ensure we can provide smooth  
25 public counter operations, maximum levels of access at

1 our contact centers, and provide overall excellent  
2 customer service to all of our taxpayers. It was an  
3 enterprise-wide effort.

4 I am proud to tell you that our efforts paid off  
5 this year, and this year's filing season was another  
6 success.

7 Our systems effectively handled the loads,  
8 processing a 16 percent increase in secure data  
9 transfers. Our website withstood over 442,000 visits  
10 and we processed over \$2 billion in web-based payments  
11 between 12:01 a.m. and 3:00 p.m. on April 15th.

12 In fact, set some new FTB records: We processed  
13 570,000 e-file and paper returns; we processed 365,000  
14 payments; between April 10th and 17th, e-filed returns  
15 were processed within an average of 22 hours and our  
16 paper returns took an average of 29 hours.

17 Another area where our efforts have significantly  
18 paid off is our call center's level of access to ensure  
19 our customers could reach us during filing season. Our  
20 primary contact centers answered 352,000 calls this year  
21 and the access rate was 73 percent. In addition, the  
22 average wait time was only six minutes.

23 Another important filing season update we would  
24 like to share with you today is FTB's Volunteer Income  
25 Tax Assistance Program, otherwise known as VITA. The

1 mission of the VITA program is to provide free tax  
2 preparation for low- to middle-income taxpayers and  
3 seniors who file the basic tax returns. The service is  
4 intended to assist taxpayers with simple returns, who  
5 cannot afford to see a paid preparer and who need the  
6 assistance.

7           We're very proud to report that once again this  
8 year, our VITA program was a success. We had 142 FTB  
9 volunteers; 54 new volunteers this year; we assisted  
10 taxpayers at 25 community sites, filed 19,000 state and  
11 federal returns; spent over 2600 volunteer hours; and  
12 saved Californians an estimated 453,000 in tax  
13 preparation savings or costs.

14           In addition to traditional VITA locations, four  
15 years ago we expanded the program to include the eBus.  
16 The eBus serves as a mobile hub for free tax preparation  
17 assistance to help more California residents keep their  
18 hard-earned money.

19           Staff, with IRS-certified VITA preparers,  
20 taxpayers received quality tax preparation and help in  
21 filing all necessary documents correctly, securely, and  
22 with ease. FTB partners with the Community College  
23 Foundation to secure the use of their eBuses from  
24 February 2nd through April 15th.

25           This year, FTB expanded our eBus use and

1 scheduled 52 successful eBus events through 19 VITA  
2 Organization Partnerships. And over the course of the  
3 filing season, the eBuses traveled approximately  
4 8400 miles across the state of California, ranging from  
5 Shasta County down to Riverside, helping to serve  
6 thousands of people in need of free tax prep VITA  
7 services.

8 Here's what our partners are saying:

9 "The FTB VITA training we had at the beginning of  
10 the year was excellent!"

11 "The E-bus made preparing taxes fun! The  
12 customers were very comfortable and enjoyed the  
13 experience which otherwise could be somewhat  
14 intimidating."

15 "The bus driver was great! Plus, the bus was a  
16 great visual and added to the event excitement."

17 "Booking the e-bus was a fantastic experience.  
18 FTB staff made the experience painless. We would  
19 definitely use the bus again!"

20 And, lastly, the California Earned Income Tax  
21 Credit, also known as CalEITC, is designed to put money  
22 in the pockets of low income working people. Taxpayers  
23 can claim the credit simply by filing a California tax  
24 return.

25 This year, we saw positive growth in the program

1 returning \$348 million to California taxpayers, a  
2 13 percent increase from last year.

3 So, in conclusion, filing season is our prime  
4 time and every single person at FTB shares a collective  
5 sigh of relief at the end of that last day. We all feel  
6 the pressure to make sure we do our very best for  
7 California taxpayers.

8 We appreciate your continued support. We truly  
9 enjoyed your visit to our campus to help celebrate the  
10 end of yet another successful filing season.

11 Thank you so much for taking the time to help us  
12 educate the public and encourage our hard working staff.  
13 You make a big difference.

14 At this time, we would like to take any questions  
15 you may have.

16 ACTING CHAIRPERSON STOWERS: Thank you, Allen.  
17 Thank you, Frank.

18 Before we go to questions, we have some VITA  
19 volunteers in the audience.

20 Will you please stand so we can acknowledge you?

21 (Applause)

22 ACTING CHAIRPERSON STOWERS: Thank you very much.  
23 A couple people didn't stand. Ms. Boyles (phonetic).

24 All right. Thank you, Frank. Thank you, Allen.

25 Ms. Cohen.



1 MEMBER COHEN: No. I have no questions. I have  
2 said my comments. I am thoroughly impressed. I had a  
3 great time with the staff on election -- on Election  
4 Day --

5 (Laughter)

6 MEMBER COHEN: On Tax Day. That's my second  
7 favorite day. My first favorite day is Tax Day now.

8 (Laughter)

9 MEMBER COHEN: But I was just absolutely  
10 delighted to see so many people, hard working, doing  
11 excellent work.

12 Thank you.

13 ACTING CHAIRPERSON STOWERS: Thank you.

14 Thank you, guys. You had a great filing season.  
15 I think I said -- you guys said a "perfect storm." We  
16 had May flowers. It was fabulous. Everyone --  
17 everyone, from all programs across the board, did an  
18 excellent job. Increasing Cal EITC claims, perfect.  
19 73 percent access on the phones, perfect. Increased  
20 e-payments, that's really good. So I really tip my hat  
21 off to you guys. So congratulations. Job well done.

22 MR. WILSON: Thank you.

23 MR. CURCURO: Thank you.

24 ACTING CHAIRPERSON STOWERS: All right. Item 4  
25 is also a PowerPoint presentation, Sustaining Great

1 Leadership, presented by Sonia Woodruff and Keith  
2 Parsley. This is an informational item as well.

3 MS. WOODRUFF: Good afternoon.

4 ACTING CHAIRPERSON STOWERS: Hello.

5 MS. WOODRUFF: I am Sonia Woodruff and I am here  
6 with Keith Parsley. I am a Tax Counsel IV in our Legal  
7 Division, and Keith is a manager from our Filing  
8 Division. We are both very fortunate to be selected as  
9 participants in this year's Management Development  
10 Program here at Franchise Tax Board.

11 MDP is an annual program that provides management  
12 training to around 20 supervisors and managers. The  
13 program also includes a project component to address an  
14 enterprise business opportunity. Keith and I were part  
15 of a six-member team tasked to find ways to build a  
16 cultural norm around engagement and empowerment amongst  
17 FTB leadership.

18 After being assigned to this project, we spent  
19 some time talking to our peers to ask about their vision  
20 of great leadership at FTB. We would like to share some  
21 of the typical comments we received.

22 (Video presentation)

23 MS. WOODRUFF: While there are always exceptions  
24 in every organization, FTB already has an abundance of  
25 leaders who empower their staff and elevate engagement,

1 so you may be wondering why we were assigned to this  
2 project.

3 We would like to share with you just some of  
4 those reasons:

5 MR. PARSLEY: First, this project directly  
6 supports our strategic plan: Our mission is shown at  
7 the top; our foundational principles are the boxes at  
8 the bottom that support everything we do; finally, our  
9 four strategic goals are represented by those pillars.

10 The "Strong Organization" pillar represents the  
11 proactive commitment we make to our employees. This  
12 includes helping them develop their skills, discover  
13 their strengths, and build their careers.

14 The second reason we were tasked with this  
15 project can be found in our FTB values. While all of  
16 our values are supported by this project, it's clear  
17 that "Lead with Integrity and Inspiration" is the strong  
18 tie. FTB needs to retain and grow great leaders, those  
19 that empower staff and motivate them to a higher level  
20 of engagement.

21 Probably the most compelling reason for this  
22 project ties back to a workforce planning exercise we  
23 completed in 2016.

24 This chart shows that over 40 percent of our  
25 entire workforce of 6,000 employees will be eligible to

1 retire by 2020. With those numbers, it doesn't really  
2 matter that FTB has great leaders today unless there are  
3 resources in place to ensure we continue to grow great  
4 leaders in the future.

5 Our project deliverable was to first recommend  
6 consistent definitions for employee engagement and  
7 empowerment.

8 Next we were asked to recommend tools and  
9 resources that would support those concepts as a  
10 cultural norm for years to come.

11 MS. WOODRUFF: Our first step was to conduct some  
12 research. In 2016 FTB conducted a survey to gauge the  
13 effectiveness of FTB leadership. The survey showed  
14 that, overall, FTB is a great place to work. However,  
15 it did indicate some areas where improvement was needed.

16 In reviewing the data, it was clear that FTB  
17 lacked standard definitions of two key components of  
18 great leadership, specifically engagement and  
19 empowerment. In addition, the data showed many of FTB's  
20 existing tools and resources were underutilized.

21 So up to this point, we thought we had an idea of  
22 the problem. Now it was time to update the research.

23 Our research methods included our team creating a  
24 wall of words to capture what great leadership meant to  
25 us, especially in the area we believe to be most

1 important: Engagement and empowerment.

2 We looked outside of FTB to see how others  
3 ensured great leadership. We reviewed scholarly  
4 articles, reviewed companies' websites, and looked at  
5 highly rated books. We also reviewed the Cal GovOps  
6 Engaging Government Employees presentation from  
7 November 2014.

8 After gathering our external research, we wanted  
9 to test it against current attitude at FTB. In order to  
10 do that, we facilitated nine focus groups from over 250  
11 FTB volunteers. We had representation from all levels  
12 of staff and from every division at FTB, including our  
13 field offices.

14 We concentrated each focus group on open-ended  
15 questions. We asked what they thought engagement and  
16 empowerment looked like for FTB, and we asked for  
17 specific examples and suggestions. We also prepared and  
18 circulated a survey to everyone who expressed an  
19 interest in our project. Overall, the focus groups and  
20 surveys provided us with excellent feedback.

21 We were able to group the majority of that  
22 feedback into four overarching themes, and those were  
23 communication, connection, coaching, and trust.

24 For communication, most people felt good  
25 communication was paramount in an empowering leader.

1 Staff wanted a leader to be able to communicate the  
2 larger vision of the organization while also staying  
3 positive, transparent, and sharing the "why" behind  
4 decisions.

5 Connection was really all about that personal  
6 connection between staff and leaders -- or the  
7 relationship between staff and leaders and the  
8 connection to the overall enterprise, its vision, and  
9 its goals.

10 For coaching, FTB employees felt strongly that  
11 empowering leaders have excellent coaching skills,  
12 including the ability to support, motivate, and build  
13 employee confidence.

14 Last but not least is trust, which is one of the  
15 most important subjects that arose in our focus groups.  
16 FTB staff wanted to feel that they could trust their  
17 leaders and also be trusted by their leaders.

18 MR. PARSLEY: After gathering all this  
19 information, we struggled to find a way to communicate  
20 the message in a way that was relatable and easy to  
21 remember. Then we came across a 2018 article from a  
22 company called Emplify. The graphic Emplify created  
23 showing a head, a heart, and hands makes an interesting  
24 analogy to the intellectual, emotional, and behavioral  
25 components of engagement.

1           Let me share their definition of "employee  
2 engagement" with you:

3           "An employee's intellectual (head) and emotional  
4 (heart) connection with an employer, demonstrated by  
5 motivation and commitment (the hands) to positively  
6 impact the company vision and goals."

7           While this is a great definition, we wanted a  
8 clear, concise, and personalized definition that would  
9 resonate with FTB. With that in mind, we converted the  
10 head, heart, and hands concept into Think, Feel, Do.  
11 While simplistic, this still has a large impact. The  
12 details behind each of the components will help show  
13 what we mean.

14           "Think" represents the intellectual component,  
15 the head. This is characterized by someone who has  
16 opportunities for growth, their work represents the kind  
17 of challenges they find intellectually stimulating, and  
18 they are able to use their strengths.

19           "Feel" is the emotional component, the heart.  
20 This is characterized by someone who feels their work is  
21 purpose-driven and meaningful, is valued by their  
22 leadership and the organization, and, even further, it  
23 contributes to the local and larger community.

24           The "Do" represents the behavioral component, the  
25 hands. Once someone is intellectually and emotionally

1 connected, their behavior will reflect this when they  
2 take more initiative and consistently bring a positive  
3 attitude. The true indicator of an engaged employee is  
4 that they take ownership for the quality of their work  
5 and the success of their organization.

6 The Think, Feel, Do concept helped us solidify  
7 standardized definitions for employee engagement and  
8 empowerment. An engaged employee is an individual who  
9 thinks, feels, and acts in ways that positively impact  
10 the vision and goals of one FTB. This is easy to read  
11 and easy to understand, and ties into the Think, Feel,  
12 Do concept and is also personalized for FTB.

13 Next, employee empowerment is the process of  
14 enabling individuals to think, behave, make decisions,  
15 and take action in independent and self-directed ways.  
16 This is also easy to read and easy to understand. The  
17 tie-in to Think, Feel, Do is less obvious, but its  
18 essence is still present.

19 Now we would like to share some of the resources  
20 and toolkits that can be used to sustain great  
21 leadership at FTB.

22 The table you see here shows a sampling of the  
23 leadership development opportunities for three of the  
24 four themes: Trust, Connection, and Coaching. We will  
25 also have development opportunities for communication.



1 These courses will complement and support the other  
2 great leadership programs that FTB already has in place.

3 For the sake of time today, I will touch on  
4 Trust. FTB has developed a "Speed of Trust" class based  
5 on Franklin Covey. This class focuses on building high  
6 trust relationships. And one impactful quote that  
7 stands out from that class is, "Extending trust is the  
8 ultimate act of leadership. It's the defining skill  
9 that transforms a manager into a leader."

10 Our team also recommended the following tools  
11 that are currently under development within FTB's talent  
12 management umbrella. The first proposed tool is,  
13 develop a leadership expectations document based on our  
14 Leadership Competency Model. This tool will include a  
15 requirement for regular one-on-one meetings using the  
16 FTB-developed one-on-one toolkit.

17 The second proposed tool looks to draw out the  
18 critical components of excellent leaders in the  
19 interview process. We are working on a set of questions  
20 that will help identify those candidates that truly  
21 understand and practice the behaviors that empower staff  
22 and increase levels of engagement.

23 MS. WOODRUFF: In closing, the Think, Feel, Do  
24 concept forms the core of employee engagement.  
25 Meanwhile, Communication, Connection, Coaching, and

1 Trust are leadership tools that help create the  
2 conditions for engagement and empowerment to take root  
3 and thrive.

4 As we have discussed today, building high trust  
5 relationships with a focus on communication, coaching,  
6 and connection are effective ways to create those  
7 conditions. Finally, this reflects the interaction  
8 between empowerment and engagement.

9 The great thing about our project's findings is  
10 that we do not need to wait to get started. All of us  
11 can begin implementing these ideas today. As leaders,  
12 by creating and maintaining a culture that -- where  
13 leaders and employees communicate, coach, and establish  
14 trust, we can create and sustain positive results.

15 Thank you for the opportunity to share the  
16 results of our project with you today. Our team is  
17 excited to take all that we've learned through this  
18 experience and become more dedicated champions of  
19 empowering our staff and watching what can be  
20 accomplished as we move the needle up on employee  
21 engagement.

22 We appreciate the support of our board for FTB's  
23 programs to develop the skills of our leaders. We are  
24 confident that your investment of trust will pay  
25 dividends for FTB's future.

1           We would be happy to answer any questions that  
2 you might have.

3           ACTING CHAIRPERSON STOWERS: Thank you, Sonia.  
4 Thank you, Keith.

5           Member Cohen.

6           MEMBER COHEN: I just want to say that I'm really  
7 encouraged that the FTB is reaching out and -- to its  
8 employees to perform the study on sustaining great  
9 leadership. I think that's one of the defining  
10 characteristics of a body of leaders, good solid  
11 leaders, is that you are not resting on your laurels,  
12 but that you're constantly trying to better your best.  
13 And few people actually solicit feedback. They accept  
14 the status quo, but not the FTB. I feel like this is an  
15 organization filled with overachievers. From the top,  
16 all the way down, everyone is just killing it.

17           I think it's important that each person in a  
18 large organization, such as FTB, really feel valued and  
19 believe that their work has meaning. So I'm grateful to  
20 come here every couple months to feel that feeling.  
21 Good job.

22           MR. PARSLEY: Thank you.

23           ACTING CHAIRPERSON STOWERS: I like the Think,  
24 Feel, Do. I can connect to that.

25           Thank you very much.

1 MS. WOODRUFF: Thank you.

2 ACTING CHAIRPERSON STOWERS: We are now moving to  
3 Item number 5, Administrative Matters. We have Tiphanie  
4 Weiss presenting Conceptual 2020-21 Budget Change  
5 Proposals. This is an informational item.

6 MS. WEISS: Good afternoon. Thank you.

7 My name is Tiphanie Weiss. I'm the Director of  
8 the Financial Management Bureau, and I am here this  
9 afternoon to present our Budget Change Proposal concepts  
10 under development for the 2020-21 fiscal year.

11 FTB will return to the September board meeting to  
12 present the fully developed proposals for your approval.

13 For the 2020-21 fiscal year, FTB has identified  
14 six Budget Change Proposal concepts:

15 The first is the California Competes Tax Credit  
16 Concept. In 2013, the Governor's Economic Development  
17 Initiative was signed and enacted as an incentive to  
18 boost California's economic development. The initiative  
19 included a California Competes Tax Credit. In  
20 June 2018, SB 855 was enacted, extending the allowance  
21 of the credit until taxable year beginning before  
22 January 1st, 2030. This concept will evaluate the  
23 resources required to continue to administer the credit,  
24 including the potential to convert limited term  
25 resources to permanent resources.

1           The next concept is the Mainframe Workload Growth  
2 concept, and it deals with the replacement of the  
3 enterprise mainframe server, additional memory, and  
4 software to meet workload growth projections and address  
5 end-of-market concerns.

6           FTB's mainframe is essential to the  
7 mission-critical legacy applications. The mainframe  
8 supports application systems associated with filing,  
9 collections, audit, nonfiler and refund processes,  
10 websites, and phone lines.

11           All of these systems have substantial dependency  
12 on the data that resides within the mainframe and,  
13 therefore, rely on the mainframe environment having  
14 sufficient processing capacity to support effective and  
15 secure operations of those applications. These upgrades  
16 will ensure FTB's ability to efficiently and effectively  
17 conduct our administrative duties related to income and  
18 Franchise Tax functions.

19           The next concept is the Vehicle Registration  
20 Collections, or VRC, System Modernization Project, and  
21 it explores the modernization of the delinquent vehicle  
22 registration system that is being used for the program.

23           In 1993, the California Legislature transferred  
24 the responsibility for collecting delinquent vehicle  
25 registration fees from the Department of Motor Vehicles

1 to Franchise Tax Board. To administer this program, FTB  
2 uses the delinquent vehicle registration system. The  
3 current system is a custom-developed mainframe  
4 application. The system is an aging system, written in  
5 a now outdated programming language. As a result, the  
6 system lacks flexibility, is at risk of not being  
7 supported, and FTB has difficulties recruiting new  
8 programmers with the necessary knowledge to support the  
9 system.

10 Due to the age of the existing system, and  
11 limited resources, FTB would not be able to implement  
12 future system augmentations as a result of legislation  
13 or other changes.

14 The goal of modernizing the delinquent Vehicle  
15 Registration System is to allow FTB to effectively and  
16 efficiently administer the VRC program by reducing the  
17 risk of system failure and technical failures that could  
18 impact the VRC program revenue generating activities.

19 The fourth concept is accessibility.  
20 Accessibility refers to the practice of making products,  
21 services, websites, and environments usable by all  
22 individuals. When you correctly design, develop, and  
23 edit, all users have equal or comparable access to  
24 information and functionality.

25 While FTB has been addressing accessibility over

1 the past years, as FTB updates its products for  
2 accessibility, the workloads surrounding these products  
3 continue to grow and increase in complexity. These  
4 resources will allow FTB to continue to apply mandated  
5 accessibility standards on its websites, web  
6 applications, tax and business forms, instructions,  
7 publications, and tax return displays.

8 The next concept is the Enterprise Data to  
9 Revenue 2 concept. In 2008 FTB began a multiphase Tax  
10 System Modernization effort aimed at modernizing systems  
11 and achieving a strategic Target Architectural Model.

12 The Tax System Modernization consists of three phases:

13 The first phase, the EDR project, laid the  
14 foundation by delivering the infrastructure and software  
15 architecture for a consolidated platform with common  
16 business functions and services. EDR implemented the  
17 case management, modeling, and an internal and external  
18 taxpayer folder, or MyFTB.

19 The EDR2 will build on this platform delivering  
20 enterprise case management and modeling services for  
21 audit, filing enforcement, and underpayment, as well as  
22 expand on taxpayer folder and call center platforms.

23 This concept will explore the resources required  
24 for two critical components to appropriately prepare the  
25 organization for EDR2: Organizational change management

1 and business process management.

2           The success of the first EDR project was  
3 dependent on FTB's staff's ability to quickly understand  
4 and adopt the vast changes to technology, business  
5 processes, and procedures. An Organizational Change  
6 Management Program plays a critical role in facilitating  
7 these activities.

8           FTB also established the Business Process  
9 Management, or BPM, team during the initial EDR project  
10 to help with documentation, enhancement, and  
11 implementation of consistent enterprise business  
12 processes that utilize the new platform. FTB has  
13 matured the BPM process, and, in anticipation of the  
14 EDR2 project, this team will need to model, analyze,  
15 reengineer, and ultimately be prepared to assist with  
16 the implementation and monitoring of the new processes  
17 that will be modernized with EDR2.

18           And the final concept is a Capital Outlay Budget  
19 Change Proposal concept for campus security upgrades.  
20 This concept evaluates security improvement  
21 opportunities at FTB's central office campus. FTB's  
22 goal is to be proactive in addressing security  
23 vulnerabilities and mitigate or reduce the risk of a  
24 security breach that could result in risks to FTB's  
25 mission-critical operations and revenue to the State's



1 General Fund.

2 This concept seeks to address security  
3 vulnerabilities to minimize risk to FTB operations,  
4 revenue collection, other assets, as well as the State's  
5 General Fund.

6 I would be happy to answer any questions.

7 ACTING CHAIRPERSON STOWERS: Thank you, Tiphanie.

8 MEMBER COHEN: No. I don't have any questions.

9 Just, again, commending management staff,  
10 bringing this to our attention.

11 Are we going to see this in September?

12 MS. WEISS: Yes. Correct.

13 MEMBER COHEN: Okay. So I look forward to seeing  
14 the items in detail in September.

15 MS. WEISS: Absolutely. Thank you.

16 ACTING CHAIRPERSON STOWERS: Thank you, Tiphanie.

17 MS. WEISS: Thank you.

18 ACTING CHAIRPERSON STOWERS: Item 6, Executive  
19 Officer Time.

20 EXECUTIVE OFFICER STANISLAUS: Thank you, Board  
21 Members. I would like to briefly report that the FTB  
22 (inaudible) --

23 (Reporter clarification)

24 EXECUTIVE OFFICER STANISLAUS: I would like to  
25 briefly refer to FTB's corporate slide deck that was

1 provided to you in the board binder materials. This  
2 slide deck is just one of the tools FTB uses to ensure  
3 we all speak with one voice. This information is  
4 updated at least annually and is made available to staff  
5 for onboarding purposes and to staff who need to create  
6 presentations for various reasons. I thought this  
7 information might be useful to you and helpful as a  
8 foundation for future board presentations.

9 Thank you.

10 ACTING CHAIRPERSON STOWERS: Thank you.

11 MEMBER COHEN: Thank you.

12 ACTING CHAIRPERSON STOWERS: That was brief.

13 Item 7, Board Member Time.

14 Ms. Cohen.

15 MEMBER COHEN: Nothing at this time.

16 ACTING CHAIRPERSON STOWERS: Great. I have a  
17 couple of comments.

18 First of all, for the September meeting,  
19 Controller Yee would like to place on the agenda or  
20 maybe -- yeah, September, on the agenda, a stakeholder  
21 forum to discuss the gig economy.

22 The topics for this forum may include what is the  
23 gig economy; an update on FTB's efforts to educate  
24 service providers and platform providers on tax matters;  
25 an update on 1099 reporting and whether compliance has

1 improved; how the gig economy may potentially affect  
2 state revenue and state expenditures; potential changes  
3 to employment laws to accommodate the gig economy; and  
4 the future of the gig economy.

5           Hopefully we can do it for the September meeting.

6           My other item: I have a retirement resolution.

7 Allen. Allen Wilson is retiring. Wow.

8           Whereas, Mr. Allen Wilson faithfully served the  
9 people of the State of California for the past 33 years,  
10 most recently as the Director of the Filing Method and  
11 Budget Bureau within the Filing Division of the  
12 Franchise Tax Board;

13           Whereas, Mr. Wilson began his career with the  
14 Franchise Tax Board in July 1986 at the L.A. District  
15 Office before nearly half of his current career was born  
16 (verbatim).

17           (Laughter)

18           ACTING CHAIRPERSON STOWERS: Makes us feel old.

19           And during what was arguably the most epic  
20 fashion decade of all time;

21           Mr. Wilson, realizing that he would never be  
22 comfortable sporting shoulder pads and Miami Vice white  
23 loafers with no socks, stood them up for more  
24 fashion-to-date, Sacramento area, where he became a huge  
25 e-file -- e-file and e-pay programs, as well as primary

1 contributor for web applications such as CalFile, Web  
2 Pay, myFTB, always arguing for what we lovingly refer to  
3 as "Allen improvements," which also notably included  
4 excellent working relationship with tax software  
5 vendors;

6           And, whereas, Mr. Wilson will be remembered  
7 fondly for his infectious laugh, his ability to stay  
8 cool, calm, and collected, even in the most difficult  
9 situations, and his highly valued traits of kindness,  
10 generosity, which benefited many of his FTB friends;

11           And, whereas, Mr. Wilson's future plans includes  
12 a new home along the gorgeous Oregon coast, mission  
13 trips to Central and South America, and plenty of  
14 quality time with his lovely wife, Patrice, and his  
15 beautiful daughters, Melissa and Emily.

16           And now, therefore, let it be resolved that this  
17 13th day of June, by the Franchise Tax Board, we  
18 recognize Mr. Allen Wilson on this occasion of his  
19 retirement for his professional and personal dedication  
20 to the Franchise Tax Board, and, most importantly, to  
21 the people of the state of California.

22           Thank you, Allen.

23           (Applause)

24           MR. WILSON: Thank you. So I guess I get one  
25 last time with the microphone.

1           So first, I want to just express my thanks and  
2 gratitude to the board over the years and all of the  
3 support that our agency and our programs have from the  
4 board. I really appreciate it. It makes it easy for us  
5 to do our job.

6           I want to also thank Selvi and the GC chiefs for  
7 all the support for our filing season programs, the many  
8 projects. Like you said, always looking for  
9 enhancements. Looking for things to improve or  
10 sometimes things to take away, so, you know, not when --  
11 when it's past its prime.

12           I want to thank my peers, my filing peers, my  
13 enterprise peers. Thank you for the partnerships, the  
14 collaboration that we have had over the years. And,  
15 really, just all of our staff and all of our leaders at  
16 FTB. We really are one. We get it done. And really  
17 put teamwork as -- as the number one thing. So thank  
18 you.

19           I will miss -- I will miss our wins, our  
20 challenges, the journeys along the way, and the life  
21 moments that we experienced.

22           So moving forward, just want to -- really quickly  
23 on my family. So my wife Patrice is here, my amazing  
24 bride of, also, 33 years.

25           ACTING CHAIRPERSON STOWERS: Stand up, Patrice.

1 (Applause)

2 MR. WILSON: She's my BFF, my retirement partner.  
3 We have plans and many goals and journeys in mind,  
4 including helping people, helping animals, travel as  
5 much as possible, relax often, and, you know, spend time  
6 with our parents, our sisters, and their families, and  
7 our much loved daughters, Melissa and Emily.

8 So thank you, FTB.

9 (Applause)

10 ACTING CHAIRPERSON STOWERS: Can we get a photo?  
11 Selvi, would you join us?

12 (Applause)

13 ACTING CHAIRPERSON STOWERS: At this time, the  
14 board is going to go into closed session to discuss  
15 pending litigation. The board will remain here, in the  
16 auditorium, for closed session, so we respectfully  
17 request for the audience to exit the auditorium.

18 Thank you.

19 (Closed session was held from  
20 2:55 p.m. to 3:14 p.m.)

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22 (Member Gayle Miller was present  
23 after closed session.)

24 ACTING CHAIRPERSON STOWERS: The board met in  
25 closed discussion and discussed pending litigation.

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We are adjourned.

(Proceedings concluded at 3:14 p.m.)

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1 CERTIFICATE OF REPORTER

2  
3 I, KATHRYN S. SWANK, a Certified Shorthand Reporter  
4 of the State of California, do hereby certify:

5 That I am a disinterested person herein; that the  
6 foregoing proceedings were reported in shorthand by me,  
7 Kathryn S. Swank, a Certified Shorthand Reporter of the  
8 State of California, and thereafter transcribed into  
9 typewriting.

10 I further certify that I am not of counsel or  
11 attorney for any of the parties to said proceedings nor  
12 in any way interested in the outcome of said  
13 proceedings.

14 IN WITNESS WHEREOF, I have hereunto set my hand  
15 this 26th day of June 2019.

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20 /s/ Kathryn S. Swank  
21 KATHRYN S. SWANK, CSR  
22 Certified Shorthand Reporter  
23 License No. 13061  
24  
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