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APPEARANCES

BOARD MEMBERS

BETTY YEE
State Controller
(Chairperson of the Board)

MALIA M. COHEN
Board of Equalization
Chairperson

JAY CHAMBERLAIN
Representative for Keely Bosler, Director
Department of Finance

ALSO PRESENT

YVETTE STOWERS
Representative for BETTY T. YEE
State Controller

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STAFF

SELVI STANISLAUS
Executive Director

DAWN CASEY
Board Liaison

JOZEL L. BRUNETT
Chief Legal Counsel

KEM MUSGROVE
Chief Information Officer

SHANE HOFELING
Assistant Chief Counsel

MICHAEL BANUELOS
Procurement Bureau

SHANNON GUTIERREZ
Accounts Receivable Management Division

JARED JOHNSON
Operations Management Bureau
APPARANCES CONTINUED

STAFF CONTINUED

ROGER LACKEY
Processing Services Bureau

TIM LEWIS
Administrative Services Division

MING MEI
Audit Division

AUDREY ROWE
Filing Division

TIPHANIE WEISS
Financial Management Bureau

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CHAIRPERSON YEE: Good afternoon. This is the scheduled time for the meeting of the Franchise Tax Board.

May I ask the board liaison to please call the roll to determine if a quorum is present.

MS. CASEY: Member Cohen.

MEMBER COHEN: Present.

MS. CASEY: Deputy-Member Chamberlain.

MEMBER CHAMBERLAIN: Present.

MS. CASEY: Chair-Controller Betty T. Yee.

CHAIRPERSON YEE: Here.

Thank you very much.

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

Please stand and join me in the Pledge of Allegiance.

(The Pledge of Allegiance was recited in unison.)

CHAIRPERSON YEE: Thank you, and welcome again.

The public has the right to comment on each of our agenda items today. If there are any members of the public wishing to speak on an item, please come forward
when that item is called, and you will have three
minutes to address the Board.

The first item, Members, is Approval of the
Minutes, and we do have the minutes of the
December 10th, 2018, board meeting and the Taxpayer Bill
of Rights Hearing.

And is there a motion?

MEMBER CHAMBERLAIN: I move. I move to approve
the minutes.

CHAIRPERSON YEE: All right. Motion by Member
Chamberlain.

I will second that motion.

I believe, Member Cohen, you will be abstaining.

Okay. Very well.

And without objection, that will be the order.

Item Number 2 is a PowerPoint Presentation on the
2018 Awards and Accomplishments, presented by Tim Lewis
and Ming Mei. And this is an informational item.

Good afternoon.

MR. LEWIS: Good afternoon.

My name is Timothy Lewis, and I'm a manager
within the Business and Human Resources Bureau of the
Administrative Services Division here at FTB.

To my left, I'm joined by Ming Mei of our Audit
Division.
First I would like to express my appreciation for the opportunity to present before you today. It was five years ago that both Ming and I walked through the doors of FTB as starry-eyed new employees, and having worked in our Human Resources Bureau for two and a half years of that time, I can't think of anything I would rather do than present to you those employees who shine the brightest in 2018.

As you will see, from the pantheon on the screen, FTB takes its foundational principles seriously. There is something that particularly caught my attention when I joined the FTB family and was introduced to the FTB's missions and values. Coming from the corporate world, I was clear on the fact that every successful company, business, or agency must have a clear mission and a defined set of values that not only drive but also sustain their business if they are truly to become a strong organization.

The difference here at FTB was an immediate recognition of the enterprise-wide knowledge of and adherence to the mission of FTB and the values that we hold so dear.

Today I will present a brief slideshow to recognize FTB staff who not only showed an exemplary commitment to these values, but who also went above and
beyond to help us accomplish our mission and achieve our
goals in 2018.

During my part of this presentation today, you
will get to meet the recipients of the 2018 Supervisory
Bonus Award. These are supervisors who have
demonstrated outstanding job performance and exemplify
our values and exceed the established standards, one of
which is leading with integrity and inspiration. These
supervisors are an exclusive group and represent the
very best of FTB.

In this presentation, you will also get to meet
the recipients of the Large Team Awards. This award
recognizes groups of employees for their hard work,
dedication, and successful contributions as part of
teams, large and small, that contributed significantly
to the Department's goals and mission in 2018.

A part of FTB's culture is to empower staff who
think and operate from an innovative, enterprise-wide
perspective. This has resulted in team efforts and
project successes. The Large Team Award recipients are
outstanding examples of how employees at FTB bring our
best.

We here at FTB firmly believe in the importance
of appreciating and celebrating what has been
accomplished by our great leaders and dedicated teams.
In essence, this is how we continue to ignite the passion, perseverance, and fortitude to meet whatever challenge opportunities present themselves, head on, with dedication and determination.

And though I would love to stop and discuss the unique contributions of each person and team that will be shown on this slideshow before you today, of course time will not permit.

So without further delay, please join me in recognizing the recipients of the 2018 Supervisory Bonus Awards and Large Team Awards.

(Slideshow presentation)

MR. LEWIS: Thank you for allowing us to present the slideshow to you today. We appreciate your continued support in celebrating some of our star employees from 2018.

CHAIRPERSON YEE: Thank you very much, Tim, and congratulations to all of the award recipients, and I know many of them are joining us here today.

May I ask all of the award recipients who are present in the auditorium to please stand so we may acknowledge you.

(Appplause)

CHAIRPERSON YEE: Thank you. Thank you for the sustained job well done and just really leading the
organization, and obviously staying true to our mission
to our taxpayers.

    Thank you.

Members, any comments on this particular item?

Yes, please. Member Cohen.

MEMBER COHEN: Hi, everyone. Hello? Hi.

My name is Malia Cohen, and I'm probably a new
face that you are unfamiliar with. I was just elected
this past election cycle, in November, to sit on the
State Board of Equalization, and I'm the chair, and now
I am here on the Franchise Tax Board, and I'm delighted
to be here.

    And I'm going to tell you the truth: Since I got
out of the car and walked, first step, in this building,
there is something magical here. It is like Disneyland.

(Laughter)

MEMBER COHEN: It is incredible. People are
smiling and happy and cheery. I have never seen an
organization like this, and I have worked in -- for
elected -- in elected office for many years.

    And I was speaking with the Controller, and she
was just talking about the culture of the FTB, and I
just want to take a moment just to acknowledge each and
every one of you that are -- are being recognized today.

    It is hard to do public service. And if you are
able to do it and enjoy what you are doing, I think you have found your life's calling. And I want to applaud you for being so outstanding. This is just remarkable.

And Ms. Selvi, congratulations to you on being able to lead such a healthy organization, and I am delighted to be here and delighted to be your partner in team work and hopefully will assist you in doing whatever heavy lifting that needs to be done.

Thank you very much.

(Applause)

CHAIRPERSON YEE: Thank you very much, Member Cohen, and welcome to the Board.

And I think you will find the time here just very rewarding. And as you have already acknowledged, this is a very, very special place. Yes. Great.

Thank you.

Any other comments by members?

I have a question. Not to put anyone on the spot, but I thought I knew this organization. But I really am curious about Workspace ONE AirWatch Boxer Team.

(Laughter)

MR. LEWIS: I can give more information on that if you need me to.

CHAIRPERSON YEE: Is there a member of the team
EXECUTIVE OFFICER STANISLAUS: Go ahead.

MR. JOHNSON: Hi. I'm Jared Johnson. I'm the director of --

MR. MUSGROVE: Jared is going to speak in a little bit. Why don't you just do that as part of his presentation at the beginning? Do you want to do it now?

CHAIRPERSON YEE: That's okay. We'll have him do this.

MR. JOHNSON: Hi. My name is Jared Johnson. I'm the Director of the Operations Management Bureau with the Technology Services Division.

So the Workspace ONE AirWatch Project was actually a way for us to provide a mobile e-mail solution to some of our executives and stakeholders, so it brought in a new technology that allowed us to deliver e-mail to tablets, smartphones, things like that. So we were able to replace an older legacy product and brought in this new technology.

CHAIRPERSON YEE: That's terrific. Thank you.

MR. JOHNSON: You are welcome.

CHAIRPERSON YEE: Thank you very much.

Okay. You stumped the Controller.

(Laughter)
CHAIRPERSON YEE: Great. Thank you so much.
And congratulations again to the award recipients.

All right. Members, let's move on to Item Number 3, which is a PowerPoint presentation on 2019 Filing Season Readiness. And this is going to be presented by Jared Johnson and Roger Lackey.

Oh, I'm sorry.

EXECUTIVE OFFICER STANISLAUS: One more.

CHAIRPERSON YEE: Oh, I'm sorry. Yes.

MR. LEWIS: All right.

CHAIRPERSON YEE: Oh, I'm sorry. Yes, please.

MR. LEWIS: All right. Thank you.

I was fortunate enough to have served two years as a member of FTB's Mission and Values Team.

So for the second half of our presentation, I would like to turn things over to Ming Mei, the current chairperson of FTB's Mission and Values Team, to highlight some of FTB's greatest accomplishments from the past year.

Ming.

MS. MEI: Thank you, Tim.

Good afternoon. My name is Ming Mei, and I work in the Audit Division here at FTB. In addition, I'm serving as the chair of FTB's Missions and Values Team,
something that I'm very passionate about and honored to be a part of.

Back in 2013, we started creating accomplishment videos for our employees as an effective way to celebrate our major milestones and success in a memorable way. The videos last only a few minutes and are a significant part of wrapping up the year and turning our eyes to the horizon of what is yet to come. These videos are also a powerful tool for employment engagement, recognitions, and creating a powerful moment that matters.

Each accomplishment is highlighted by different employees in business areas throughout FTB. Even though this video only provides the barest glimpse into our greatest accomplishments, I believe you will still get a sense of how -- just how busy the 2018 year was for us.

We also hope you are able to see our values shine through the interaction on the screen, because in everything we do, we strive to lead with integrity and inspirations, bring our best, deliver excellent products and services, contribute to a caring community, and become expert at what we do.

Now, I invite you to please take a look at our accomplishments in 2018.

(Video presentation)
MS. MEI: Thank you for allowing us to share this video with you today. We hope you enjoyed watching and feel the spirit of our values.

And thank you for being a board who is as dedicated to FTB success as we are. We greatly appreciate your continued support. And now, Tim and I would like -- would be happy to answer any questions you may have.

CHAIRPERSON YEE: Okay. Thank you very much, Ming, and thank you for the video.

Questions and comments, Members?
(No response)

CHAIRPERSON YEE: Great. Thank you very much, and we look forward to another successful year together. Thank you.

Okay. We are now on Item Number 3, which is the PowerPoint presentation on the 2019 Filing Season Readiness, presented by Jared Johnson and Roger Lackey.

This also is an informational item.

Good afternoon, gentlemen.

MR. JOHNSON: Good afternoon.

MR. LACKEY: Good afternoon.

MR. JOHNSON: My name is Jared Johnson, Director of the Operations Management Bureau of the Technology Services Division. I'm joined by Roger Lackey, Director
of the Processing Services Bureau of the Filing Division.

We are here today to share with you an overview of the planning efforts necessary to prepare FTB for the 2019 filing season. With approximately 20 million taxpayers filing annually, our readiness is critical to our success.

MR. LACKEY: Yes, Jared.

Planning is key to our success. Today we would like to share with the Board some of the actions we have taken in getting ready for the filing season and the specific challenges we have prepared for, for the 2019 filing season. We will take a quick look at our planning processes and services starting with the past, including highlights from the 2018 filing season, and how modernizing both our processes and services with technology benefit the State and, most importantly, taxpayers. We will also discuss how FTB's focus on modernizing our services has enabled us to be agile in making decisions, addressing issues, and focusing on improved customer experience. And last, we will talk about some of the specific challenges facing the current 2019 filing season.

Over the last several years, FTB has endeavored on modernizing our tax systems to be more operationally
efficient and improve services. As Jared mentioned, with over 20 million taxpayers filing annually, our success is critical. What creates even more of a demand is that approximately 80 percent, or 15 million tax returns, will be received by FTB in a two-and-a-half-month window with approximately 12 million of those taxpayers expecting a refund.

In the past, our planning and processing decisions and, ultimately, the services we provided were based on physical logistics of the intake of a paper-dependent process. Imagine a sea of trucks, as you can see on this screen, holding millions of returns waiting for processing. Simply put, in the past, there wasn't enough space to quickly process the work.

That meant that at the time, our decisions were internally focused, rather than externally focused. Over the last decade, which shifted most tax returns being submitted electronically, and the most recent modernization of our paper processes, through the Enterprise Data to Revenue project, which we'll refer to as EDR, our ability to be more agile in processing tax returns, payments, and correspondence has significantly increased.

Furthermore, with the new technology services made available through the EDR project, we are able to
break down our workloads even further, to continue to provide better service for taxpayers and the State.

For example, it wasn't long ago that a fast processing time for a refund was considered to be up to six weeks. Today, most taxpayers receive their refund within seven to ten days. As this example illustrates, our operational decisions are focused on the taxpayer and meeting their needs with timely and accurate processing and adding transparency in our operations.

Now I will turn it back over to Jared to talk about the present.

MR. JOHNSON: Thank you, Roger.

With the recent completion of the EDR project, we introduced a modernized technology platform for return and payment processing and the online MyFTB service. Using the MyFTB service, taxpayers and tax professionals can interact securely with FTB, using a personalized account with access to return, refund, and payment data spanning the last five years.

We've also introduced a Customer Service Dashboard that provides a real-time glimpse at return and refund processing time frames, payment processing time frames, and contact service wait times.

Finally, we have made available a mobile refund application, providing taxpayers a transparent
step-by-step view of their refund processing status.

FTB received a Best of California Award for our Customer Service Dashboard in 2017, and recently surveyed taxpayers have rated our online refund application status 4.7 out of 5 stars.

These innovative technology solutions provide secure, stable, and accurate services that meet our projected peak processing demands with a lower overall operating cost.

Here are some notable highlights from the 2018 filing season:

Our target for digital service availability is 99 percent. In 2018, FTB's critical 24/7 digital services were available 99.9 percent of the time to taxpayers and tax professionals.

FTB also set a new single day record when we received over 1.2 million returns in payments on April 18th, 2018. This was 5 percent higher than the previous records set in 2017.

Finally, we had over 99,000 new MyFTB registrations and 4.6 million users of our refund status applications.

So how do we continue to adapt to the changing needs of taxpayers and offer digital services? We rely on our annual planning process.
We refer to our annual planning process as filing season readiness. It is an enterprise effort and everyone contributes. Our planning provides an opportunity to evaluate past filing season successes and identify future improvements to our services. Taxpayer expectations, tax law changes, and ever-evolving technology influence our planning and improvement efforts.

Within our annual process, we track thousands of tasks that we know need to occur every year. For example, the tax year displayed on the form needs to be changed each year. Although this seems like a simple change, it, in fact, results in many changes to forms, notices, and our return processing services.

We focus on three key aspects: People, process, and technology.

Externally, we seek feedback from taxpayers, tax professionals, software companies, and partner state agencies.

Internally, we perform an end-to-end review of system performance, business processes, and the taxpayer experience. We also identify and prioritize digital service enhancements ensuring functionality are optimized. We also have a robust risk management process that helps us prepare for the unknown and
what-if situations and scenarios.

More than 20 million income tax returns are filed annually by California taxpayers and 88 percent are filed electronically. Manual processing no longer met the needs of taxpayers, so FTB made a conscious shift to digital services. We adapted to what we refer to as the "Amazon effect," customer expectations for secure, fast, and efficient online services.

In the past, taxpayers had three unique ways to interact with FTB: A phone, correspondence, or a public counter. FTB began to focus on self-service and expanding our online and mobile capabilities as well as improving our return and payment processing services.

Today we provide taxpayers multiple self-service channels and live services, including interactive IVR, phone, live chat, e-mail, text, and social media.

As our process has matured, business and technology became seamlessly integrated.

We also consider security a foundational principle at FTB. We would not be able to deliver these services without ensuring they are secure, accurate, and stable. These innovative solutions provide flexibility that can adapt to technology trends and, more importantly, meet the evolving needs of California taxpayers.
I will turn it back to Roger to talk a little bit more about some of the challenges we prepared for in 2019.

MR. LACKEY: Thank you, Jared.

In addition to serving millions of taxpayers in a short window, each year FTB is faced with unique challenges when it comes to our busiest season of the year.

Here are three key items that we have prepared for as this year's filing season progresses: Federal tax reform, the perfect storm, and the expansion of the California Earned Income Tax Credit.

So first, with federal tax reform, like many, we began tracking the issue and its possible impacts to California. In July, we convened a team to begin looking at those specific impacts and developed a plan to minimize the impacts to taxpayers and to the State. Our plans included an analysis for both the Franchise Tax Board and oversight agencies, including the Legislature and the Governor's Office on the impacts of federal tax reform; and focused effort on the impacts to California tax return, including collaborative sessions with our stakeholder groups for input. This included the Taxpayer Advocate, the tax professional community, and the tax software community, which provided outreach...
and face-to-face meetings with tax professional groups, sharing the impacts to California, their clients, and the information on how to prepare the California income tax return.

We also trained over 750 public-facing staff to answer questions we anticipated they may receive during this upcoming filing season, and we also have extended our contact center hours for the peak periods, including being open on Cesar Chavez holiday as well as Saturday, April the 13th.

And we integrated the form changes and new business rules into our electronic intake, processing, and validation systems, including the supporting training and procedures for our processing staff.

In addition, our communication and marketing team developed a focused filing strategy to support taxpayers and FTB's readiness, which included the launching of a webpage covering important news about tax reform; we created videos, including one about withholding, which can be found on our YouTube channel and our Facebook page; and we created a social media info-graphic to describe changes in the law and tied messaging to the "GetReady" hashtag.

So now I will now turn it back over to Jared to talk about our preparation for what we call the "perfect
MR. JOHNSON: Thanks, Roger.

We also identified that 2019 is a perfect storm year. "Perfect storm" refers to a filing season when April 15th falls on a Monday. In this scenario, we tend to see more taxpayers wait until the Monday deadline to file, rather than the more gradual ramp-up of volumes.

The last time this occurred was 2013, and, like the IRS, it put a significant strain on our digital services.

Since then we have taken the opportunity to implement many process and technology improvements that provide a more robust and scalable technology platform designed to meet our maximum forecasted demands.

The planning process started over a year ago. We established four enterprise teams focused on forecasting demand for our services and developing strategies and solutions to mitigate disruptions to our ability to accept tax returns, make payment deposits, and service taxpayer calls and chats. We incorporated lessons learned from 2013 and performed an in-depth analysis of our modernized enterprise platform to address potential risks. Finally, we developed marketing and stakeholder communication to bring about awareness and encourage early filing.
I will hand it back to Roger to discuss our efforts related to the expansion of the California Earned Income Tax Credit.

MR. LACKEY: Thanks, Jared.

The last item we will discuss is the expansion of the California Earned Income Tax Credit, referred to as the CalEITC. This year, the Governor and the Legislature provided 5 million in grants to improve CalEITC statewide and 4.9 million in grants to support the Voluntarily Income Tax Assistance Program, also known as VITA, for their prep sites, which help connect people with California EITC. Grantees are busy with outreach efforts as we speak.

FTB is also coordinating a CalEITC/VITA e-bus tour that includes up to 60 stops around the state. This is up from 25 e-bus tours last season. The bus is going to many places where people may have limited access to free tax prep help, including the fire-ravaged communities of Paradise and Redding.

FTB designed, printed, and distributed a total of 1.5 million CalEITC brochures, posters, and postcards this season. Our partners use these materials at free tax prep events, send the information home with elementary school children, the students, and canvass neighborhoods to get the word out. And for the first
time, FTB offered an 11-part VITA video training series to train more people to become VITA volunteers. That's providing more chances for the public to connect with free tax prep, as well as federal, state -- the federal and state Earned Income Tax Credits.

So as you can see, FTB does many things to ensure we are well prepared for a successful filing season, and our teams will be here for the June board meeting to share the results of our planning efforts and how the 2019 filing season concluded.

So I would like to thank you for your time today, and I would be happy to answer any questions that you may have.

CHAIRPERSON YEE: Thank you, Roger. Thank you, Jared.

Questions, Members? Comments?

(No response)

CHAIRPERSON YEE: I have one. And I don't recall -- was there any, I guess, delay as a result of the federal shutdown and Internal Revenue Service ramping up for filing season?

MR. LACKEY: It -- in terms of where we see the peak volume starting to pick up, we're about even where we were this same time last year.

CHAIRPERSON YEE: Okay.
MR. LACKEY: Like, within, 1 percent.

CHAIRPERSON YEE: Oh, good. Good. Excellent.

Thank you.

All right. Well, thank you very much for the presentation.

All right, Members. We'll move on to Item Number 4. This is a PowerPoint presentation on the Administrative Dissolution Programs, presented by Shannon Gutierrez and Audrey Rowe.

MS. GUTIERREZ: Good afternoon, Board Members. My name is Shannon Gutierrez. I'm from the Accounts Receivable Management Division. And I would also like to introduce my co-presenter today, Audrey Rowe, from the Filing Division.

As the Department often shares, one of FTB's strategic goals is to provide quality taxpayer-centric service and lessen the burden on taxpayers through legislative policy, process, and procedural changes.

Specifically, my co-presenter, Audrey, will share with you the early efforts to implement the administrative dissolution for nonprofit corporations, which paved the way for the recent efforts undertaken to implement the administrative dissolution for the domestic corporations as well as the domestic limited liability companies, which I will speak to thereafter.
It's important to share that the first goal in FTB's current strategic plan is to provide taxpayer-centric services. This simply means that we are continuously looking for ways to enhance our services to help taxpayers fulfill their tax obligations, as well as make it easier for customers to meet their compliance requirements.

The administrative dissolution process was one area where enhancement was necessary in order to improve our customers' experience.

To share more on the administrative dissolution of nonprofit corporations, I will now pass it over to Audrey.

MS. ROWE: Thanks, Shannon.

Good afternoon, Board Members.

Like Shannon mentioned, today I would like to share with you a bit about the work that we do to enhance the administrative dissolution for the nonprofit corporations.

The normal path nonprofits take to be in compliance is a multifaceted one. First, they register with the Secretary of State and then, in a timely manner, they request income tax exemption with the Franchise Tax Board. If nonprofits collect money from the public, they also must register with the Attorney
General's Office Registry of Charitable Trusts. In order for nonprofits to keep their exempt status, they need to stay in compliance with all three agencies: Failure to file with just one agency will result in the suspension and loss of tax exemption. Should a nonprofit's board of directors vote to dissolve the corporation, they need to request clearance from the Attorney General's Office, and as long as they are current in all of their filings and have not been suspended, the final step to dissolve is to file with the Secretary of State's Office.

Like I mentioned earlier, this is the normal path. However, with nonprofits, things do not always go as planned.

The reality is, the majority of nonprofits are run by volunteers, who don't always have a clear understanding of the filing requirements or simply assume that another person within the organization will handle the filing; and as a result, things get missed. We frequently see these nonprofits falling out of compliance, becoming suspended, and losing their tax exempt status.

Once tax exempt status is lost, they are subject to tax, including the $800 minimum tax, like any general corporation.
Under the law prior to 2016, corporations could not dissolve if they were suspended. Therefore, these nonprofits would have to first revive by filing corporate tax returns and paying thousands of dollars in back taxes before they could dissolve.

FTB's staff identified over 140,000 nonprofit corporations that are suspended and have not filed returns in over 48 months.

Back in 2014, the Nonprofit Policy Committee of the California State Bar invited Franchise Tax Board staff as well as staff from the Secretary of state's Office and the Attorney General's Office to discuss the concerns.

At the meetings, it was discussed that many nonprofits don't have the resources to pay these hefty tax burdens, and many more simply did not have surviving officers or directors that could initiate a legal dissolution.

As a result of these meetings, legislation was introduced and ultimately passed beginning January 1, 2016, paving an alternate path for dissolving these long suspended nonprofits and lessening the burdens of the nonprofit taxpayers who were just trying to do the right thing.

Implementing the new legislation required
significant coordination between the Franchise Tax Board, Secretary of State's Office, and the Attorney General's Office. Regular meetings were held between these agencies to figure out what actions we each would need to take to ensure a smooth process for the taxpayers, compliance with each agency's legal requirements, and a secure transmission of data between the agencies.

The new legislation resulted in three new paths for nonprofits to dissolve and would be implemented in a phased approach, allowing immediate relief for those nonprofits that were actively seeking to dissolve.

Starting 1/1/16, nonprofits that were in existence less than 24 months and essentially were created in error can file to request a short-form dissolution directly with the Secretary of State's Office without needing approval from the Attorney General's Office or to be in filing compliance with the Franchise Tax Board.

Also starting 1/1/16, nonprofits in existence longer than two years can file to request voluntary dissolution directly with the Franchise Tax Board.

Under the voluntary path, Franchise Tax Board staff and Attorney General staff work together to review the requests.
Once approved, the nonprofit is then mailed approval letters from both the FTB and the AG, in a single envelope, along with detailed instructions on how to dissolve with the Secretary of State.

The final path, the administrative dissolution, was implemented beginning early 2017. Under administrative dissolution, nonprofits suspended and not filing returns longer than 48 months are notified that they are subject to administrative dissolution and given 60 days to object and avoid being dissolved.

Notification is made by mail if FTB has a valid address and by simultaneously posting on the Secretary of State's website. Nonprofits that do object are given instructions on how to revive and reinstate their tax-exempt status.

To get the word out to the nonprofit community, FTB participated in numerous forms of outreach including "Tax News" articles, meeting with industry groups, and presenting directly to the public via nonprofit seminars.

In the three years since this program was initiated, we have seen some pretty amazing results: The Secretary of State has successfully dissolved over 2500 nonprofits requesting short-form dissolution. FTB has received over 1700 requests for voluntary
dissolution, with a 90 percent approval rate. Of these, to date, almost 900 have successfully completed the dissolution process and are now dissolved. We received numerous calls and letters of thanks from nonprofits, especially churches, small social clubs, that discontinued operating in the '80s and '90s that stated they have been struggling for years to dissolve their nonprofit.

Our administrative dissolutions are conducted in batches, beginning with the oldest nonprofits, and have dissolved over 64,000 to date.

More importantly, by contacting these long suspended nonprofits, we're able to assist 160 nonprofits, many who didn't realize that they were out of compliance, to get back into good standing.

To share the recent efforts of our administrative dissolution process for both the domestic corporations and domestic LLCs, I will pass it back to Shannon.

MS. GUTIERREZ: Thank you, Audrey.

In the December 2015 Taxpayer Bill of Rights hearing held here at the Franchise Tax Board, public concerns were brought forward regarding the complexity of the business entity dissolution and cancellation process. Specifically, the process for corporations and limited liability companies to dissolve or cancel if
that entity ceased doing business or never conducted business; similar problems to what Audrey just shared with the nonprofit corporations.

We heard the public concerns, and, as a result, formed a team in 2016 that included the Franchise Tax Board, the Secretary of State, as well as the Governor's Office of Business and Economic Development, also known as GO-Biz. This team was tasked to conduct an in-depth analysis of existing law, processes, procedures, forms, resources and data, with the goal of the FTB to provide taxpayer-centric services.

From these collaborative efforts, the legislative proposal was drafted by the FTB in 2017, to recommend giving FTB the authority to administer an administrative dissolution program for business entities that cease business or never conducted business.

Subsequently, Assembly Bill 2503 was signed into law and chaptered on September 22nd, 2018.

Effective January 1st, 2019, the bill provides two options for administrative dissolution for qualified domestic corporations and domestic limited liability companies that have ceased doing business or never conducted business and have no assets.

The voluntary administrative dissolution program, which is initiated by the taxpayer, authorizes the FTB
to abate, upon written request by a qualified entity, the unpaid taxes, interest, and penalties for the taxable years in which the entity certifies it was not doing business and has no remaining assets in that business. And if all requirements are met, the FTB will administratively dissolve or cancel that business.

The administrative dissolution program, which is initiated by the Franchise Tax Board authorizes the Franchise Tax Board to dissolve or cancel those domestic corporations or domestic limited liability companies that have been suspended by the FTB for 60 consecutive months, have ceased doing business, have no assets, and have paid all taxes and filed all tax returns as of the date they cease doing business.

Upon the passage of the legislation in September, the Franchise Tax Board quickly set up project teams to begin implementation efforts. This included partnering with the Secretary of State on a transmission of the data, web content, and related processes. We also work collaboratively with our advocate and the education and outreach department to begin outreach efforts to inform the public of this new law.

In order to provide the best services possible to assist business entity taxpayers, we work diligently to make sure their request forms, web content, and the
public phone number were in place in order to successfully implement Phase I of our efforts, timely, which was the voluntary administrative dissolution program. We did that on January 1st of this year, 2019.

To date, we have received nearly 1200 requests from businesses, requesting the Franchise Tax Board to administratively dissolve or cancel their business. Of that total, we have approved 215, and we expect to receive another 3,000 requests by the end of the fiscal year.

Phase 2 of our efforts will be to implement the administrative dissolution program. To do this, the FTB will begin, starting in the latter part of this month, March, conducting the necessary analysis and case studies in order to identify the cases that meet the requirements for the administrative dissolution process. The objective is to implement on January 1st of 2020.

And lastly, Audrey and I would like to simply thank you for your time and for your continued efforts to support the FTB's taxpayer-centric efforts.

At this time, we would like to know if you have any questions of us with regards to the administrative dissolution programs.

CHAIRPERSON YEE: Thank you very much for the presentation.
Questions or comments, Members?

(No response)

CHAIRPERSON YEE: No?

Thank you. And really appreciate you being responsive to the concerns that were raised from a whole number of vantage points and congratulations on this really terrific effort.

MS. ROWE: Thank you. I appreciate that.

CHAIRPERSON YEE: Thank you very much.

Let's move on to Item Number 5. This is the administrative matters. We're going to have Tiphanie Weiss come forward and present the 2019/20 finance letters; and Michael Banuelos representing contracts -- presenting contracts of a million dollars, as action items for Board approval.

And we'll view the presentation and then we will see about entertaining a motion.

Good afternoon.

MS. WEISS: Good afternoon. My name is Tiphanie Weiss. I'm the director of Financial Management Bureau, and I will be presenting for your approval two finance letters for the 2019/20 fiscal year.

The first proposal is for FI$Cal, and it requests $1.63 million and 11 permanent positions and three permanent intermittent positions in the 2019/20 and
2020/21 fiscal years. This is to fully implement the financial information system for California, or FI$Cal system, and to comply with statewide accounting policies within mandated time frames. These resources will be performing accounting and procurement activities.

The next proposal is for postage for estimate payment notices. This proposal requests $612,000 in the 2019/20 fiscal year and ongoing, to send an annual information notice to business entities with a summary of their estimate payments made for the prior tax year.

The notifications are intended to provide a source document for taxpayers, allowing them to accurately report their estimate payments on their return. This will reduce errors on the return, contacts to FTB contact centers, and allow us for the correct payment of tax at the time the return is filed. This request provides the funding necessary for the annual mailing of these notices.

At this time, I would like to ask for your approval, and I would be happy to answer any questions.

CHAIRPERSON YEE: Thank you, Tiphanie.

Questions, Members?

(No response)

CHAIRPERSON YEE: I have one that's related to the FI$Cal proposal.
In terms of just continuing to implement and, obviously, comply with statewide accounting procedures, are there -- I have noticed on some of the -- this revenue reports are -- as we're tracking particularly now leading up to April -- I think a lot of departments are footnoting FI$Cal in terms of maybe not getting -- or reporting kind of what's actually come in because of additional time with processing.

Is that an experience here as well?

MS. WEISS: Yes. It's taking us longer to process. The change from batch processing to individual items is --

CHAIRPERSON YEE: Right.

MS. WEISS: -- taking us longer.

CHAIRPERSON YEE: Right.

MS. WEISS: Yeah.

CHAIRPERSON YEE: And -- so in terms of the reconciliation of that, what's the period of time where you believe that you actually can -- I guess what's the gap? What's the --

MS. WEISS: For reconciliation?

CHAIRPERSON YEE: Reconciliation.

MS. WEISS: That is the last outstanding piece that we're working to set up. We're just receiving data now to begin our reconciliations.
CHAIRPERSON YEE: Okay. All right. Now this is -- I just point this out, Members, because this is really a critical piece of FI$Cal implementation then. It is something I hope other departments are also recognizing as well.

So I appreciate you bringing this forward.

MS. WEISS: Thank you.

CHAIRPERSON YEE: Okay. Let's see. Members, do we want to entertain a motion on these two budget letters now? Or should we hear from Mr. Banuelos as well?

MR. BANUELOS: Would you like me to go forward with my presentation?

CHAIRPERSON YEE: Yes, please.

MR. BANUELOS: Okay. Good afternoon. Good afternoon, Board Members. It's very nice to see all of you this afternoon.

My name is Michael Banuelos, and I am the Director of the Franchise Tax Board's Procurement Bureau.

I'm here today to present three proposed contracts over $1 million for your approval. With your permission, I will -- I will present the three contracts and then I would be happy to answer any questions that you may have.
CHAIRPERSON YEE: Mr. Banuelos, let me pause here. Perhaps we should bifurcate these.

I think, Member Chamberlain, Department of Finance typically abstains from the finance letters. So why don't we entertain a motion for the two finance letters that will be heard first.

MEMBER COHEN: So moved.

CHAIRPERSON YEE: Okay. We have a motion by Member Cohen.

I will second that motion.

Without objection, noting that Member Chamberlain is abstaining, such will be the order.

Thank you.

MR. BANUELOS: So based on that, I'm going to bypass my preamble and just get to the contracts, if that's okay.

Our first request is for the purchase of three mail machine inserters to process outgoing mail. So as you heard in Jared's presentation, obviously, the world is moving towards a more electronic means of communication, but there still is a heavy reliance on mail here at FTB, and we need to have that equipment to do those mailings.

So, on average, we're still processing about 20 million pieces of mail annually to communicate with
taxpayers, so these inserters, they are mail
inserters -- sometimes they are called mail machines --
but they are critical to our operations here at FTB.

Currently, we have three inserters, which we
purchased in 2007 and 2008, which are in need of
replacement. This equipment reached end of life in 2018
and they are currently running software that is no
longer supported by the manufacturer.

The estimated total cost for the three new
inserters is $3 million in total.

So that's the first one.

The second contract which I am presenting for
your approval is our Microsoft Enterprise Licensing
Agreement, or what we more commonly call our MELA.

FTB's existing enterprise agreement for Microsoft
products expires on May 31st, 2019. And we're seeking
approval to enter into to a new three-year agreement.

FTB will leverage the California Department of
Technology's contract for the bulk of these products,
but we will also be using a DGS contract to buy some
additional products on our own.

In sum, we're looking at three-year agreements
roughly in the neighborhood of $9.6 million.

Microsoft products are critical tools which are
embedded into our computer and server environments here
at FTB. The multitude of products range from computer
and server operating systems, word processing, e-mail,
database solutions, and development tools.

Without these tools -- these mission-critical
tools, our software will be unsupported, leaving FTB
open to security threats, and vulnerabilities, and,
without these tools, FTB server and computer
environments are at risk of being unusable. So that's
the second request that I have.

And our last equally critical request is for the
renewal of our IBM maintenance contract for software
products used in our mainframe computing environment.
Similar to Microsoft, IBM products are critical tools
within our environment.

This is a joint contract that FTB has
historically shared with the Department of Technology.
The current three-year contract expires on
September 30th, 2019, so it's coming up pretty soon.
And the total value of the expiring contract is
$65 million. So it's a split contract. Of that amount,
12 million is generally attributed to FTB, so the
Department of Technology has the bulk of that contract.

FTB's mainframe utilizes IBM propriety software
products to provide enterprise operations solutions
ranging from security to vital tax processing systems,
including the Taxpayer Information System and the Business Entities Tax System. A tax system that resides on FTB's mainframe must use a number of IBM products maintained via this contract in order to support mission-critical functions.

Without this contract, this mission-critical software would be unsupported, and this would negatively impact taxpayers as well as the State of California.

As in past years, we would look to collaborate with the Department of Technology on a joint contract. Right now we're considering probably a three-to five-year contract that could be up to $19 million, but the final term and price of the contract will depend on the negotiations. So this one will go through a negotiated process with IBM.

So these are the contracts I'm presenting for your approval today, and I would be happy to answer any questions you may have.

CHAIRPERSON YEE: Okay. Thank you, Michael. Questions or comments, Members?

(No response)

CHAIRPERSON YEE: Okay. Hearing none, is there a motion to approve the contracts?

MEMBER COHEN: I will make a motion to approve the contracts.
CHAIRPERSON YEE: Okay. We have a motion by Member Cohen to approve all three contracts.

Is there a second?
I will second that motion.
Are you abstaining?

MEMBER CHAMBERLAIN: I'm -- no. I'm approving --


I will go ahead and second the motion.

Without objection -- okay. Such will be the order.

Thank you very much.

MR. BANUELOS: Thank you for your support.

CHAIRPERSON YEE: Now we're on Item Number 6, and this is Executive Officer's Time.

We'll turn it to Selvi Stanislaus.

EXECUTIVE OFFICER STANISLAUS: Thank you, Madam Chair.

To begin my time today, I would like to first welcome the honorable Board Member Malia Cohen. I welcome your service on this Board and appreciate the dedication to the more than 10 million Californians and the BOE's second district. Ms. Cohen, your distinguished service as president of the San Francisco Board of Supervisors, as president of the San Francisco Employee Retirement System, and your service as a
fiduciary member of the San Francisco Transportation Authority will be of great value on this Board. We sincerely appreciate the unique perspective you bring.

As always, we value the perspective and experiences that our entire board that brings to the table, especially under the leadership of the Controller, Honorable Betty Yee, who just began her second term as the State's Chief Fiscal Officer.

I can't think of a better suited group of leaders who are ready to tackle the work and the opportunities ahead for the Franchise Tax Board.

As we mentioned in our video at the very beginning of our agenda, our future is bright, and you each contribute to that sentiment.

Thank you.

CHAIRPERSON YEE: Thank you very much, Selvi. Very much. And just for your leadership and always just having such an open door for us, as members of the Board. And I think what my colleagues will find is that the relationship between the Board and this organization is quite integrated. We've become a part of the culture. So it's great.

Thank you.

Item Number 8 is Board Members' Time. And any comments from board members?
(No response)

CHAIRPERSON YEE: Okay. If not, let me just say -- let me add my welcome to Board of Equalization Chairwoman Malia Cohen, who has been a colleague, has been a leader in San Francisco. And this is just a really wonderful time to have you join the Board, particularly as we're ramping up to our tax filing deadline, and look forward to your sharing in that time with the team here. And it's an exciting time, and you will really capture the spirit of this organization during this period.

I want to, I guess, welcome back home Member Chamberlain, where he's had a distinguished career, certainly with this organization, and now with the Department of Finance. And I would be remiss if I didn't recognize that -- I don't know if we've had this before, Selvi? An all-women board?

EXECUTIVE OFFICER STANISLAUS: Probably not, no.

CHAIRPERSON YEE: I think that deserves a comment.

But I really appreciate Director of Finance Keely Bosler, who has just had, really, a distinguished career, very pleased that she is the Director of the Department of Finance after having served as cabinet secretary for our prior governor, Jerry Brown. So I
look forward to serving together.

    Thank you. Please, Member Cohen.

MEMBER COHEN: I just want to underscore something that Ms. Stanislaus said when she said our future is bright. I am very excited to be here.

    I have many years of public service and I think it will serve me well. But what's important is that I consider it a privilege to be sitting here, a privilege that I don't take for granted, and a privilege that will just not be taken for granted. We'll leave it there. I am just overwhelmed and moved by the kindness that I have experienced since stepping into the building.

    Thank you.

EXECUTIVE OFFICER STANISLAUS: Thank you.

CHAIRPERSON YEE: Thank you. Okay.

Any other business to come before the Board?

(No response)

CHAIRPERSON YEE: Okay. Hearing none, I believe that concludes our agenda. We are adjourned.

    Thank you very much.

(No closed session was held.)

(Proceedings concluded at 2:34 p.m.)

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CERTIFICATE OF REPORTER

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

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

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

IN WITNESS WHEREOF, I have hereunto set my hand this 27th day of March 2019.

/s/ Kathryn S. Swank
KATHRYN S. SWANK, CSR
Certified Shorthand Reporter
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