Fiscal Year 2019-20

Business Unit 7730

Department Franchise Tax Board

Priority No. 1

Budget Request Name 7730-301-BCP-2019-A1

Program 9900100 – Administration

9900200 – Distributed Administration

Subprogram

Budget Request Description FI$Cal

Budget Request Summary
The Franchise Tax Board (FTB) requests $1.63 million from various funds for 11 permanent positions and 3 permanent intermittent positions in 2019-20 and 2020-21. These resources will conduct accounting and procurement functions and serve as FTB’s foundation to allow the department to fully adopt Financial Information System for California (FI$Cal) implementation and comply with statewide accounting policies. These resources will play a key strategic role in business operations and state cash management.

Requires Legislation
☐ Yes ☑ No

Code Section(s) to be Added/Amended/Repealed

Does this BCP contain information technology (IT) components? ☐ Yes ☑ No

Department CIO Date

If yes, departmental Chief Information Officer must sign.

For IT requests, specify the project number, the most recent project approval document (FSR, SPR, S1BA, S2AA, S3SD, S4PRA), and the approval date.

Project No. Project Approval Document: Approval Date:

If proposal affects another department, does other department concur with proposal? ☐ Yes ☐ No

Attach comments of affected department, signed and dated by the department director or designee.

Prepared By Date Reviewed By Date

Department Director Agency Secretary

Pending Board Approval

Department of Finance Use Only

Additional Review: ☐ Capital Outlay ☐ ITCU ☐ FSCU ☐ OSAE ☐ CALSTARS ☐ Dept. of Technology

PPBA Date submitted to the Legislature
A. Budget Request Summary

The Franchise Tax Board (FTB) requests $1.63 million from various funds for 11 permanent positions and 3 permanent intermittent positions in 2019-20 and 2020-21. These resources will conduct accounting and procurement functions and serve as FTB’s foundation to allow the department to fully adopt Financial Information System for California (FI$Cal) implementation and comply with statewide fiscal and accounting policies. These resources will play a key strategic role in business operation and state cash management.

B. Background/History

FTB is responsible for administering the income and franchise tax laws for the State of California. Each year, FTB processes more than 21.1 million tax returns, 13.3 million payments, issues 13.2 million refunds\(^1\) to California’s residents, and conducts compliance activities to collect the proper amount owed the state. As a result of these efforts, the department is responsible for administering programs bringing in $103\(^2\) billion, 78 percent of the General Fund revenue. The General Fund is utilized to fund necessary services across the state including education, safety and welfare programs, and law enforcement.

In compliance with accounting policies and regulations, FTB’s Accounting Section maintains accounting records of the revenue, expenditures, cash, receipts, disbursements, and property for the department. For decades, FTB performed the accounting responsibilities through the state provided accounting system, California State Accounting & Reporting System (CALSTARS). In July 2018, FTB implemented the new statewide accounting system, FI$Cal. FI$Cal combines the State’s accounting, budgeting, cash management, and procurement operation into a single, transparent, and unified financial management system that is intended to be used by most state entities. FI$Cal also changed and implemented new, required accounting features, processes and requirements.

In anticipation of the changes the implementation of FI$Cal would bring to FTB’s long-term accounting and procurement practices, FTB engaged early with Department of Finance (DOF) and FI$Cal to ensure a smooth system transition. In 2016, FTB began actively working with DOF and FI$Cal to plan, design, and test new processes, procedures, workflows, information hand-offs, and reports. While FI$Cal brings transparency and consistency for statewide accounting, it introduced additional complexity to FTB’s already complex accounting and procurement needs due to the volume and diversity of accounting transactions that FTB administers. These increased complexities have resulted in an increase in volume, and the requirement to complete additional tasks to complete a transaction. In addition, increased levels of review are now required. All of these together have resulted in increased timeframes to complete transactions and reconciliations. As a result of this new and increased workload, FTB needs additional resources to carry out its fiduciary responsibilities within mandated timeframes.

The Accounting Section is an essential component of FTB’s mission and business operations. The Accounting Section is responsible for the following:

- **Accounts Payable** - The Accounts Payable (AP) Unit ensures that the department’s expenditures for goods and services are paid and posted timely and accurately. Prompt payment penalties are incurred if mandated payment timeframes are not met. Additionally, they review property reports to properly reflect the department’s fixed assets on financial statements.

- **Fiscal Controls** - The Fiscal Controls Unit ensures integrity in the reporting of all revenue collected annually for tax and non-tax programs. They reconcile receipts and disbursements to tax and non-tax system reports, adjust misdirected receipts, and process dishonored checks.

- **Travel and Employee Services** - The Travel and Employee Services Unit manages the department’s $7 million Revolving Fund. They distribute all employee payroll warrants and process salary advances; prepare and post disbursement checks for all FTB funds; review and process Travel Employee Claims and Travel Advances through CalATERS; and review, communicate and

\(^1\) The data tax return processed, payment, and refunds are based on Fiscal Year 2017-18.

\(^2\) Revenue figure is from the DOF 2018-19 May Revise for Fiscal Year 2017-18.
implement control agency and labor contract changes as they relate to expense reimbursement and payment processes.

- **System and Support** - The Financial Systems and Support Unit manages FTB’s accounting and activity reporting system (FI$Cal), develops and maintains accounting sub-systems, and produces the monthly Activity Based Costing model and Fund Condition Report. They provide standard, ad hoc, and special financial and operational reports to Departmental staff. This unit supports the Accounting Section ensuring all mandated internal controls are met and assists the section with daily administrative support activities.

- **Fiscal Services (Bank and Funds Reconciliation)** - The Fiscal Services Unit completes and distributes required financial reports to control agencies and internal customers. They are responsible for ensuring integrity in accounting for all tax and non-tax programs administered by FTB. This is done through reconciling the various funds and bank accounts with the control agencies, as well as working closely with internal customers to ensure the accounting records are accurate.

The Procurement Bureau is critical to FTB’s business operations. It ensures staff receive the goods and services that they need to perform the FTB mission critical responsibilities. The Procurement Bureau staff conduct acquisitions, manage procurement projects, and prepare purchase orders (POs) and contracts for FTB.

### Accounting Section - Resource History

(Dollars in thousands)

<table>
<thead>
<tr>
<th>Program Budget</th>
<th>2014-15</th>
<th>2015-16</th>
<th>2016-17</th>
<th>2017-18</th>
</tr>
</thead>
<tbody>
<tr>
<td>Authorized Expenditures</td>
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<td>Actual Expenditures</td>
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<td>$4,324</td>
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<td>Revenues</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Authorized Positions</td>
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<td>54.0</td>
<td>55.0</td>
<td>55.0</td>
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<tr>
<td>Filled Positions</td>
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<td>52.5</td>
<td>48.0</td>
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<tr>
<td>Vacancies</td>
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<td>1.5</td>
<td>7.0</td>
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<tr>
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<td>--</td>
<td>3.0</td>
<td>2.0</td>
</tr>
<tr>
<td>Vacancies with existing job op</td>
<td>--</td>
<td>--</td>
<td>4.0</td>
<td>1.0</td>
</tr>
</tbody>
</table>

### Procurement Bureau - Resource History

(Dollars in thousands)

<table>
<thead>
<tr>
<th>Program Budget</th>
<th>2014-15</th>
<th>2015-16</th>
<th>2016-17</th>
<th>2017-18</th>
</tr>
</thead>
<tbody>
<tr>
<td>Authorized Expenditures</td>
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<td>Actual Expenditures</td>
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<td>$2,678</td>
<td>$2,847</td>
</tr>
<tr>
<td>Revenues</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Authorized Positions</td>
<td>25.0</td>
<td>25.0</td>
<td>25.0</td>
<td>26.0</td>
</tr>
<tr>
<td>Filled Positions</td>
<td>23.3</td>
<td>23.7</td>
<td>24.4</td>
<td>23.5</td>
</tr>
<tr>
<td>Vacancies</td>
<td>1.7</td>
<td>1.3</td>
<td>1.0</td>
<td>2.5</td>
</tr>
<tr>
<td>Vacancies attributed to LOA</td>
<td>--</td>
<td>--</td>
<td>0.0</td>
<td>0.0</td>
</tr>
<tr>
<td>Vacancies with existing job op</td>
<td>--</td>
<td>--</td>
<td>1.0</td>
<td>3.0</td>
</tr>
</tbody>
</table>

### C. State Level Considerations

This proposal supports FTB’s mission to fairly and effectively administer the State’s tax system and the foundational principle to carry out FTB’s fiduciary responsibilities to taxpayers by managing their...
accounts with accuracy and financial integrity. FTB’s mission is “to provide the services and information to help taxpayers file accurate and timely tax returns and pay the proper amount owed.” In order to accomplish its mission, FTB accounting staff process and report all remittances received from taxpayers. They also provide fiscal services to FTB employees, facilitate payments to contractors and vendors, and report financial information to internal and external stakeholders. They ensure the integrity of FTB’s financial information and strict compliance with the State Administrative Manual (SAM), State Controller’s Office (SCO), and other accounting policies and regulations. These resources support all FTB program areas in payroll, travel, revenue recognition, reimbursement, accounts payable, accounts receivable, and financial recording, reconciliation and reporting. These additional resources will allow FTB to fully implement FI$Cal while complying with accounting policies, regulations, and timeframes.

This proposal also supports the following FTB Strategic Plan Goals:

#4 – Operational Excellence – “Optimize processes, products, services and resources to better serve FTB’s customers.”

Strategy 4.3: Leverage and modernize IT systems and processes to support enterprise business activities, including financial, human resources, and nontax programs.

The implementation of FI$Cal brings FTB onboard with the statewide accounting system and positions FTB to participate in the State Transparency Website.

The Accounting Section ensures the deposit and remittance of all revenues collected from tax and nontax programs to the State Treasurer and the SCO. They also perform the most important component of successful business – timely and efficient cash flow control. At all levels of the accounting organization, managers and accounting specialists work together to maintain accounting records that comply with state requirements.

D. Justification

In July 2018, FI$Cal was implemented for FTB’s accounting daily operation. To increase the transparency of the state’s financial reporting and information, the FI$Cal and SCO implementation brought in additional processes and requirements to statewide accounting practices. The system requires additional and more complicated data entry, review of funding chartfields for procurement, payments, and report tracking. FTB also realized that many tasks require more time to perform than in the CALSTARS system.

Due to an increase in volume, complexity, review, and the new workloads introduced with FI$Cal, FTB’s Accounting Section has seen:

- Lengthier accounts payable processes to issue vendor payments and run pay cycles which leads to prompt payment penalties.
- Lengthier processes in handling PO for the department causing lapsed services.
- Inability to timely post accounting entries and maintain accounting records which will lead to inaccurate financial reports and/or estimated financial statements, uninformed decisions, cash flow concerns, inappropriate fund distributions, loss of public confidence and audit findings.
- Inability to timely complete existing or expected future accounting assignments.
- Inability to timely perform mandated review and reconciliation of state funds monthly, which will lead to inaccurate, late, or estimated and late financial statements and other financial reports.
- Inability to timely and accurately remit and report revenue deposits.

To support the improvements that FI$Cal implemented, FTB requests the following resources to accommodate the changes:

**Accounts Payable Unit** (1 Sr. Accounting Officer, Specialist and 1 Accounting Officer)
The Accounts Payable Unit receives and processes all FTB invoices for goods and services within the 30 days submission to SCO Prompt Payment Act deadline\(^3\), responds to vendor and departmental inquiries and ensures expenditures and encumbrances are posted timely and accurately to the accounting system. This information is critical to the management of FTB’s internal budgeting process. With the implementation of FI$Cal and changes to voucher processes as a result of SCO integration, FTB has seen an increase in the length of time needed for Accounts Payable processes. As a result of the below factors, FTB does not have sufficient staff to accommodate these critical workloads. Inadequate staffing levels are resulting in delays in the payment processing, unreconciled documents and encumbrances, increased use of the Revolving Fund and prompt payment penalties. Historically FTB has rarely incurred a prompt payment penalty.

<table>
<thead>
<tr>
<th>Accounts Payable Unit</th>
<th>2017-18</th>
<th>2019-20</th>
<th>2021-22</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>13,299 hours</td>
<td>17,590 hours</td>
<td>17,090 hours</td>
</tr>
</tbody>
</table>

\(^{3}\) The Prompt Payment Act requires State agencies to pay properly submitted, undisputed invoices within 45 calendar days of initial receipt.

Several factors contribute to the need for additional resources. The combination of new requirements and expanded existing workloads in aggregate result in insufficient resources and risks.

- **Increase in volume, steps, complexity and new workload:** In CALSTARS, there was some flexibility with making changes in the invoicing process. In FI$Cal, staff require additional work to update and approve POs if a change occurs between when the order is placed and when the vendor fulfills the order. FI$Cal also requires staff to attach supporting documents such as the receipt that is tied to the PO and later associated with an invoice.

- **Increase in volume, steps, complexity, and new workload:** Processing invoices for payment went from batch processing in legacy to an item of one in FI$Cal. FTB transactions now must be processed individually when historically were processed in batches. Scanned documents must be attached to the FI$Cal voucher and key entry into multiple screens is required for each item. Payments are made at a detail level, each line of the invoice is keyed in FI$Cal. Historically, vouchers were keyed utilizing a single input screen.

- **Increase in volume, steps, complexity, and new workload:** Processing asset purchases is no longer tracked as a total value in the ledgers. Individual assets must be created and maintained in FI$Cal. The asset profile and maintainer activities are part of the purchasing and payment process and are a new workload.

- **Increase in steps and complexity:** Direct charge journal entry workload will grow when these direct charge expenses are posted to FTB ledgers directly by SCO. Beginning in March 2019 with Milestone 3.3, SCO will post these journals to generic chartfield values. AP staff will be required to reverse and re-post those entries to the appropriate values.

- **Increase in volume, steps, and complexity:** The change from batch processing to items of one, multiple input screens, and uploaded documents has also had a significant impact on review of AP staff work. The voucher approval process now requires an additional approver to review the voucher. The approvers also need to open multiple screens to review the vouchers. Attachments are also opened and reviewed to ensure vouchers meet SCO expanded requirements.

- **New workload:** Accounting has the PO module Approver 2 role in FI$Cal. Lead staff review the chartfield values and asset classification for all new POs created prior to dispatch.

- **Increase in volume, steps and complexity:** The FI$Cal 1099 review process has increased from the legacy CALSTARS review. Transactions posted in FI$Cal using a $0 journal voucher are not recognized by the process as reportable. All vouchers of this type must be manually identified and reviewed for impact to 1099 reports.
- **Increase in volume, steps and complexity and new workload:** All POs now have to go through a budget check step. This step was not required in the legacy system, it added additional time to process each PO.

In an effort to reduce processing time, the AP Unit created checklists, utilized uploads, restructured workload distribution, and reduced review checkpoints. These measures reduced the timeframe for processing, however they did not eliminate all additional hours needed to process invoices, manage assets, and reconcile documents and encumbrances in the new system. Since implementation of FI$Cal, FTB has redirected management and lead staff and utilized overtime and temporary staff to process invoices within prompt payment guidelines. The redirection of staff has led to backlogs in other workloads including reconciliations, asset management, employee performance evaluations, workload monitoring and replenishment of the Revolving Fund. FTB made the decision to redirect staff out of necessity, however these efforts have only been somewhat successful and have not eliminated backlogs or the need to throttle workflows, which slows down the payment process and puts FTB in jeopardy of not complying with the Prompt Payment Act. These resource redirections do not fully meet the workload need and are not sustainable due to the growing backlogs of critical work as a result of the redirections.

This work is of an ongoing nature with no expectations of a reduced workload which would negate the need for new resources. This BCP requests two new permanent positions within the AP Unit to maintain acceptable day to day processing timeframes, avoid increased backlogs, re-establish lead reviewers to ensure consistency in work products, reduce rework due to errors, and reduce the inventory of supervisors’ or managers’ workloads that should be performed by a staff member.

**Fiscal Controls Unit (1 Accounting Officer)**

Similar to the AP Unit, Fiscal Controls Unit’s FI$Cal impact is primarily with the Accounts Payable module. The move from claim schedules and batch processing has significantly impacted Fiscal Controls Unit in the disbursements of tax and non-tax funds. Prior to FI$Cal, the Unit was able to include up to 99 disbursements on one claim schedule utilizing a listing. In FI$Cal each one must be created as an individual voucher. In an attempt to lessen the impact of this transition, FTB chose to utilize the “AP006 interface”. The interface allows the Fiscal Controls Unit to upload vouchers reducing some of the required key entry into FI$Cal. The interface reduced staff time in creating the vouchers, however each voucher must still be opened by an AP Processor, attachments added and voucher submitted for approval. The Appover 1 and Approver 2 roles open each voucher and multiple windows as part of the review.

<table>
<thead>
<tr>
<th>Fiscal Controls Unit</th>
<th>2017-18</th>
<th>2019-20</th>
<th>2021-22</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>1,928 hours</td>
<td>3,765 hours</td>
<td>3,765 hours</td>
</tr>
</tbody>
</table>

2018-19 hours are not presumed indicative of future work due to the learning curve of the new system as well as resolution of identified defects and backlogs.

This work is of an ongoing nature with no expectations of a reduced workload which would negate the need for new resources. This BCP requests an Accounting Officer to reduce backlogs and process times, reduce rework due to errors and reduce the inventory of supervisors’ or managers’ workloads that should be performed by a staff member.

**Travel and Employee Services (1 Accounting Officer)**

The Travel and Employee Services Unit maintains FTB’s $7 million Revolving Fund and processes all travel and salary related payments for the department. With the implementation of FI$Cal and subsequent changes to business processes as a result, FTB is unable to keep up with the new workloads with existing staffing levels. FTB added production work responsibilities to supervisors and
managers in an attempt to manage workflow. This redirection has allowed FTB to conduct daily transaction processing including payment mandates, however workloads are continuing to backlog with reconciliations and collections. This BCP requests one additional position within the Travel and Employee Services Unit to allow for redirection of work back to an analyst position and conduct mandated reconciliations and collections efforts. The appropriate level of staff will allow FTB to manage the below process changes and allow managers to resume their appropriate tasks and assignments.

<table>
<thead>
<tr>
<th>Travel and Employee Services Unit</th>
<th>2017-18</th>
<th>2019-20</th>
<th>2021-22</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>3,248 hours</td>
<td>6,140 hours</td>
<td>5,100 hours</td>
</tr>
</tbody>
</table>

2018-19 through 2020-21 hours are not presumed indicative of future work due to the learning curve of the new system as well as resolution of identified defects and backlogs.

- **New workload:** The implementation of FI$Cal changed the system application of payments to Travel and Salary Advances from applying to the correct advance to first in first out (FIFO). FTB has a large number of traveling employees that can have multiple advances outstanding at any time. This scenario is not uncommon. To maintain an accurate accounting of these advance balances for collection, staff must track these balances outside of FI$Cal.

- **Increase in volume and complexity:** Processing errors from the CalATERS interface and pay cycle errors have increased from the legacy CALSTARS to FI$Cal. Not only has the volume of errors increased, but the complexity of resolution and time to resolve has increased significantly.

- **Increase in volume, steps, complexity, and new workload:** With the implementation of FI$Cal, SCO changed their requirements on FTB’s business travel account (BTA) replenishments specifically for the airfare account. In legacy, SCO approved replenishment of the entire BTA invoice for airfare within a month of issuing the agency check. The transactions were coded in CALSTARS at a summary level. SCO now requires FTB to submit replenishment for airfare when the travel has occurred. This change requires FTB to submit multiple replenishment vouchers for one month’s BTA payment since airfare is purchased months in advance of travel. An outside tracking worksheet was established to track each month’s invoice and the outstanding balance. These multiple submissions result in additional workload in tracking and additional vouchers and key strokes. Tracking these replenishments and advance balance is a new workload.

- **Increase in volume, steps, complexity, and new workload:** The Revolving Fund cash book reconciliation is performed to ensure the fund has the accurate balances in the accounting system. With the implementation of FI$Cal FTB has not successfully created one cash book reconciliation. The move from batch processing has significantly increased the volume of transactions posting to the cash book. This increased the complexity of reconciliation and the amount of time needed for completion.

**Systems and Support Unit** (1 Accounting Administrator I, Specialist and 1 Accountant I, Specialist)

The Systems and Support Unit manages and maintains the department’s organization, labor and cost allocation structures in the accounting system and sub-systems. The unit analyzes and compiles monthly budget, cost and fund condition reports to FTB programs and management for use in budget, spending and workload decisions. Additionally this unit supports all FI$Cal users with access and role management and provides administrative support to Accounting Section staff. With the implementation of FI$Cal, FTB has seen an increase in the length of time needed for managing configurations, running system processes and supporting activities. As a result of the below factors, FTB does not have sufficient staff to accommodate these critical workloads. Inadequate staffing levels are resulting in delays in reporting on expenditures and fund condition to management, missed opportunities, delays in Project Costing module billing analysis, and incomplete accounting documentation and files. If FTB is not able to run these reports timely, FTB will be unable to monitor and administer its budget and will be at significant risk of overspending.
FTB employs the Activity Based Costing methodology within Fi$Cal configurations, allowing a higher degree of accuracy in analyzing department costs based on work performed. This is a complex structure and requires extensive accounting knowledge, labor distribution and cost allocation process understanding, and excellent analytical skills. The implementation of Fi$Cal brought increased complexity to an already complex process.

<table>
<thead>
<tr>
<th>Systems and Support Unit</th>
<th>2017-18</th>
<th>2019-20</th>
<th>2021-22</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>1,596 hours</td>
<td>5,670 hours</td>
<td>5,370 hours</td>
</tr>
</tbody>
</table>

2018-19 through 2020-21 hours are not presumed indicative of future work due to the learning curve of the new system as well as resolution of identified defects and backlogs.

- **Increase in volume, steps, complexity, and new workload**: Legacy CALSTARS cost allocation process was set in one step taking staff a few minutes. Cost allocation in Fi$Cal must be set for each step of the process. FTB currently has 25 steps that are individually set to run taking approximately 6.5 hours of system processing time. This requires staff to monitor allocations continuously throughout the process for errors and step completion. Additionally, making adjustments to allocation steps or methodology and posting monthly statistics journals requires additional staff time due to complexity. Some of these changes require Fi$Cal Service Center processing. FTB must plan changes in advance and respond to questions or follow-up on tickets.

- **Increase in volume, steps, and complexity**: Legacy CALSTARS provided activity reports used by FTB to compile the monthly fund condition and various other reports. Running reports in Fi$Cal requires staff to navigate to various screens to enter the report criteria, check the status of the report being run, and then to find and open the reports. FTB staff could run the report all on one screen in the legacy system. In Fi$Cal, the extracted data contain all accounting and procurement transaction information within 60 different tables. To analyze and produce departmental reports on FTB budget and expenditures, staff must understand the data relationships and join data from various tables. This increases the complexity of FTB’s financial reporting process. Due to insufficient staffing and inadequate layouts from Fi$Cal, FTB has not created any department reports from Fi$Cal data. As a result, FTB is currently reliant on the legacy CALSTARS reports to monitor spending and fund condition.

- **New Workload**: In an effort to reduce staff time in various Accounting Units, FTB has implemented the use of multiple Fi$Cal uploads and interfaces, including the AP006 and AR18 interfaces referenced earlier. The creation, management, and support of these processes is a new workload for the Systems and Support Unit.

- **Increase in volume, steps and complexity**: The Systems and Support Unit manages and maintains user access, roles and separation of duties in the accounting system. Roles were granted immediately as a result of FTB’s assignment in the legacy system. In Fi$Cal procurement and deposit slip processes and roles are now included in the system with accounting. The process to establish users and manage their roles has increased in complexity with the crossing of roles between Accounting and Procurement staff in the Procurement module and the use of Fi$Cal’s Identity Self Service (ISS) Portal. Responsible staff, using the ISS Portal, must submit requests for access and roles for approval from FTB’s Department Authorized Designee (DAD) and Fi$Cal.

- **New Workload**: Fi$Cal is mandated to provide transparency to the State’s expenditures as part of the project. This was achieved through the transparency website. The 2018 Release departments will be reviewing their data spring 2019 for inclusion in the website beginning July 2019. After the initial spring review, department expenditure data must be reviewed at least monthly for confidential information prior to publication.

- **Increase in steps and new workload**: The SCO requires all invoices, POs, contracts and other supporting documents to be attached to the electronic documents submitted through Fi$Cal for
SCO approval. To comply with this requirement, FTB is scanning all invoices and approvals when received. This allows processors access to their electronic copies when ready to process in FI$Cal. Additionally support staff are continuously receiving vouchers at various stages of the approval process. In an effort to track prompt payment deadlines and prioritize voucher approvals by prompt payment status, voucher Approver 1 and 2 workbaskets are organized by invoice received date daily.

**Fiscal Services Unit** (2 Accounting Officers and 2 Accounting Administrator I, Specialists)

Staff within this business area are primarily responsible for processing deposits, remittances to state funds, billing and accounts receivable collections, fund and bank reconciliations and financial statements and reports. These functions are complex in nature and must be performed in a timely and accurate manner to ensure the integrity of FTB’s financial information used for budgeting, forecasting and financial decisions. Failure to manage this workload will present risk for FTB and California in inaccurate financial statements, Generally Accepted Accounting Principles (GAAP) entries, and revenue reports for forecasting. Additionally, unremitted feeder fund revenue will be unavailable for use by the General Fund.

<table>
<thead>
<tr>
<th>Fiscal Services Unit</th>
<th>2017-18</th>
<th>2019-20</th>
<th>2021-22</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>8,552 hours</td>
<td>20,500 hours</td>
<td>16,210 hours</td>
</tr>
</tbody>
</table>

*2018-19 through 2020-21 hours are not presumed indicative of future work due to the learning curve of the new system as well as resolution of identified defects and backlogs.*

The FI$Cal implementation has significantly increased the workload in this business area. The appropriate level of staff will allow FTB to process longstanding workloads as described above as well as effectively manage the following workload increases as a result of FI$Cal process changes:

**Cash Receipts and Remitting**

FTB is one of five departments required to pre-sort deposits. As a pre-sort department and due to FTB’s responsibility to collect Personal Income Tax (PIT), Corporation Tax, Court Ordered Debt and Vehicle Registration Collection payments, FTB produces a large volume of deposit transactions daily. In FTB’s legacy process deposits were created individually, remitted to SCO and posted to the accounting ledgers at a summary level. FI$Cal requires each deposit slip be created, remitted and posted to the ledgers individually.

The increase in volume of transactions requiring posting and the required daily reconciliation of deposits and disbursements for daily cash reports has monopolized staff time. After SCO/State Treasurer Office Milestone 2 release (October 2018) FTB’s time to process deposits sharply increased. This process is time consuming and staff are left with little time to work on other required workloads. Each transaction must be opened, certified, and budget checked and requires more time to remit daily revenue. In an effort to create efficiencies, FTB is using another interface, “AR018”. This interface allows FTB to eliminate most of the key entry into FI$Cal for depositing and remitting. However, AR018 has very tight deadlines that are easily missed if Accounting or Processing encounters any difficulties in reconciling the daily deposits. If the interface deadline is missed, additional staff time is needed to process the daily remittance transactions manually.

With the new workflow in FI$Cal, more transactions are required to flow to SCO for approval. Departments are required to provide legal authority on each individual transaction and supporting attachments or comments if needed. In legacy, FTB provided authority, comments and supporting documents on combined transaction per fund. Additionally FTB, as a pre-sort department, receives dishonored payments through a Zero Balance Account (ZBA) as a negative deposit for each bank daily. In FI$Cal, all negative deposits now require SCO approval before posting. After submission of the transactions staff are required to check daily until the approvals are received. This timing lag is tracked and accounted for in daily revenue reports.
STATE OF CALIFORNIA
Budget Change Proposal - Cover Sheet
DF-46 (REV 08/17)

FTB has redirected lead staff and management, utilized overtime, and temporary staff in an effort to keep up with the current (non-peak) deposit workload. In the legacy process peak filing season did not result in a peak workload for Accounting as FTB remitted once daily per fund. In FISCal, each deposit slip created must be individually remitted creating an increase in volumes and resource needs during peak filing season. Additionally, FTB is utilizing AR018 interface, checklists, and new queries to reduce the time required to complete. These strategies have assisted in remitting deposits daily, however staff, leads and management are unable to complete their other required responsibilities and as a result FTB is experiencing backlogs in other critical workloads including accounts receivable billing and collections, posting journal entries, reconciliations, research, documenting entries, employee performance evaluations, and fund review and analysis. These resource redirections do not fully meet the workload need and are not sustainable over time.

Fund and Bank Reconciliations

According to SAM, FTB is required to reconcile by bank and fund type by the required timeframe of 30 days after the close of the period. Historically, FTB completed the monthly reconciliations of 36 funds by the deadline. Since the implementation of FISCal, FTB has not successfully performed any monthly fund or bank reconciliations for the 2018-19 Fiscal Year. This is due to beginning balances not being loaded by FISCal, increased volume of transactions, complexity and new workloads. Staff are redirected from reconciliations to cover daily FISCal transactions such as cash receipt and remitting workloads. This request will provide the resources to address daily transactions and mandated reconciliations that are currently not being performed.

- **Increase in volume, steps, complexity, and new workload:** The bank reconciliation process in FISCal added a new element to the process. In addition to the existing required bank reconciliation, deposit and check transactions are required to be "reconciled" within the system. The FISCal assigned IDs and the Treasurer's Bank Statement IDs are different resulting in a manual process to research each item and match. This process is tedious and time consuming. Additionally, FISCal brought a fundamental change to this process. The bank account is treated like a fund. All fund General Cash and Uncleared Collections account balances are at the "bank fund" level. This increases time and complexity of the reconciliation.

- **Increase in volume, steps, and complexity:** The fund reconciliation process in FISCal has changed significantly from legacy CALSTARS and FTB's legacy tax accounting ledgers. The increased transactions in the sub-modules and subsequent ledger posting has increased the complexity of FTB fund reconciliations. Vouchers and deposits in FISCal are posted and reconciled on an individual document basis. Additionally, FISCal sub-module postings to the General Ledger add complexity to the process of researching transactions. This new complexity paired with system posting errors have required a high level of accounting knowledge and analytical skills to identify, document, communicate and resolve.

- **Increase in volume, steps, complexity, and new workload:** SCO posting of select journals to department ledgers was implemented in Milestone 3 (December 3, 2018). Even though SCO is posting these transactions directly, departments must identify, reverse and re-post due to SCO's use of generic chartfield values. Staff reverse the SCO entries and re-post to the correct chartfield values. This workload is expected to increase when SCO is fully integrated. Payroll Accounts Receivable transactions will have a significant impact on re-posting transactions starting with Milestone 3.3 (March 2019). This workload of reversing and re-posting journals also increases the opportunity for posting errors and reconciling items.

This proposal includes a request for three permanent intermittent Accounting Officer positions for two years to address the existing and anticipated backlogs associated with the implementation of the FISCal system as staff fully learn.

In addition, overtime is needed to address backlogs and establish the remaining processes to complete FISCal implementation. This includes:

- Working on fund and bank reconciliation backlogs.
Creating and reviewing FI$Cal financial statement 2018-19.
Creating FI$Cal annual delinquent AR report.
Creating FI$Cal GAAP entries and the November revisions for PIT and Corporation Tax funds.
Responding to California State Auditor during annual audit using new data source.
Research reconciling items/errors.
Creating departmental reports for management and budget staff. (Includes fund condition).
Creating DOF 102 and 103 preliminary and final cash reports for PIT and Corporation Tax funds using FI$Cal data.
Establishing a process for organization realignment since the two year moratorium ends in July 2019.
Establishing a new checklist for year end and preparing for fiscal year end 2019-20.

**Procurement Bureau** (1 Staff Operation Specialist)

The Procurement Bureau provides assistance to FTB internal customers by conducting acquisitions and managing contracts to exchange goods and services. It is the primary point of contact for the FTB vendor community and liaison with other departments related to departmental goods and services. The Procurement Bureau supports FTB day to day business operations to achieve its mission critical workload. With FI$Cal implementation, FTB’s procurement process has seen an increase in workload.

<table>
<thead>
<tr>
<th>Procurement Bureau</th>
<th>2017-18</th>
<th>2019-20</th>
<th>2020-21</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2,003 hours</td>
<td>4,823 hours</td>
<td>4,823 hours</td>
</tr>
</tbody>
</table>

Several factors contribute to the need for additional resources. The combination of new requirements and expanded existing workloads in aggregate result in insufficient resources and risks.

Examples of the additional workload realized include:

- **Increase in volume, steps, and complexity, and new workload:** Additional PO data is required to be entered into the FI$Cal system. Additional scanning and uploading of reportable attachments are now required to be scanned and uploaded into the FI$Cal system.

- **Increase in volume, steps, complexity and new workload:** FI$Cal increased the level of approval for physical and soft copies of the POs and contracts. Now they require two approvers to review and approve the PO and contract before purchasing the goods and services. Encumbrance and agreements now require procurement approval also.

- **Increase in volume, steps, and complexity:** POs and contracts that are involved with purchasing goods and services for multiple years now require additional POs or contracts to be created. Discrepancies with supplier names and addresses on invoices or supplier name changes require issuance of a new PO or Procurement Contract.

Without the requested position, the Procurement Bureau will continue to experience delays throughout the procurement process, from the initiation of a contract/PO action through the awarding and management of the contract. The lack of procurement support to FTB business processes will have a delay in the acquisition process, less reliable reporting in FI$Cal, and a reduction to the competitive and cost-effective acquisition of services and goods.

**E. Outcomes and Accountability**

Approval of this proposal will ensure the accounting and procurement staffing levels are commensurate with the degree of care, oversight, timeliness, and attention to detail required by Accounting’s and Procurement’s complex workloads and requirements. It also ensures FTB complies with policies, procedures, laws, and regulations.

The management of resources and fiscal oversight received from this proposal will be the responsibility of the Chief Financial Officer.
F. Analysis of All Feasible Alternatives

Alternative #1: Approve FTB’s request for $1.63 million from various funds for 11 permanent positions ongoing and 3 permanent intermittent positions in 2019-20 and 2020-21 to support the following:

The requested resources conduct accounting and procurement functions and serve as FTB’s foundation in allowing FTB to process tax returns, payments, issues refunds to California’s residents, and conduct compliance activities to collect the proper amount owed the state.

Alternative #2: Approve FTB’s request for $1.63 million from various funds for 11 limited-term positions through 2021-22 and 3 permanent intermittent positions in 2019-20 and 2020-21 and provisional language to support the following:

The requested resources conduct accounting and procurement function and serve as FTB’s foundation in allowing FTB to process tax returns, payments, issues refunds to California’s residents, and conduct compliance activities to collect the proper amount owed the state. This option provides the resources necessary to address the increased workload in accounting functions for the next three fiscal years. This option does not address the ongoing nature of this workload and does not constitute a permanent solution and managing workloads will be further impacted as limited term staff look for other permanent positions.

With this option, FTB requests provisional language as noted below:

Of the funds appropriated from this FI$Cal Finance Letter, $1.2 million shall be available to fund the equivalent of 11 positions through 2021-22 fiscal year for the processing of Accounting and Procurement workloads. The Franchise Tax Board may convert this funding to permanent funding with corresponding position authority for 11 permanent positions, subject to approval of the Department of Finance, not sooner than 30 days after notification in writing to the chairpersons of the fiscal committees of each house of the legislature and the Chairperson of the Joint Legislative Budget Committee.

Alternative #3: Do not approve the request.

Denial of this proposal means FTB will continue to see the following impacts:

- Lengthier accounts payable processes to issue vendor payments and run pay cycle which leads to prompt payment penalties.
- Lengthier processes in handling POs for the department, potentially causing lapsed services.
- Inability to timely post accounting entries and maintain accounting records which leads to inaccurate financial reports, uninformed decisions, cash flow concerns, inappropriate fund distributions, loss of public confidence and audit findings.
- Inability to timely complete existing or expected future accounting assignments.
- Inability to timely perform mandated review and reconciliation of state funds monthly, which leads to inaccurate and late financial statements and other financial reports.
- Inability to timely and accurately remit and report revenue deposits.

G. Implementation Plan

June 2019 – All documents to establish the permanent positions are prepared and approved by the FTB Budget Officer and forwarded to Department of Finance.

June 2019 – Department of Finance notifies FTB of position approval.

July 2019 – Permanent positions are established and FTB begins hiring.
H. Supplemental Information

None

I. Recommendation

FTB recommends approval of Alternative #1. The augmentation will support the use and administration of the FI$Cal. These resources are essential to support FTB on performing its mission critical responsibilities. It also helps FTB to comply with state accounting deadlines timely.
### Budget Request Summary

The Franchise Tax Board (FTB) requests an augmentation of $612,000 General Fund in 2019-20 and ongoing for postage. This proposal seeks additional funding that will allow FTB to issue an annual information notice in January to business entities (including corporations, limited liability companies, and exempt organizations that have taxable or unrelated business income) that provides a summary of their estimate payment, transfer, and credit information for the prior tax year for which a return is now due. The notifications are intended to provide a source documentation for taxpayers allowing them to report their accurate estimate payments on their return. This will reduce errors on the return, which must be manually addressed by staff, reduce contacts to FTB’s contact centers and allow for the correct payment of tax upon the filing of the return.

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### Requires Legislation

<table>
<thead>
<tr>
<th>Code Section(s) to be Added/Amended/Repealed</th>
</tr>
</thead>
<tbody>
<tr>
<td>Department CIO</td>
</tr>
<tr>
<td>Date</td>
</tr>
</tbody>
</table>

### Does this BCP contain information technology (IT) components?

If yes, departmental Chief Information Officer must sign.

---

### For IT requests, specify the project number, the most recent project approval document (FSR, SPR, S1BA, S2AA, S3SD, S4PRA), and the approval date.

<table>
<thead>
<tr>
<th>Project No.</th>
<th>Project Approval Document:</th>
<th>Approval Date:</th>
</tr>
</thead>
</table>

### If proposal affects another department, does other department concur with proposal?

Attach comments of affected department, signed and dated by the department director or designee.

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### Prepared By

<table>
<thead>
<tr>
<th>Department Director</th>
<th>Date</th>
<th>Reviewed By</th>
<th>Date</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>Agency Secretary</td>
<td></td>
</tr>
</tbody>
</table>

### Additional Review:

- Capital Outlay
- ITCU
- FSCU
- OSAE
- CALSTARS
- Dept. of Technology

**Pending Board Approval**

**Department of Finance Use Only**

<table>
<thead>
<tr>
<th>Additional Review:</th>
<th>Date submitted to the Legislature</th>
</tr>
</thead>
<tbody>
<tr>
<td>PPBA</td>
<td></td>
</tr>
</tbody>
</table>
A. Budget Request Summary

The Franchise Tax Board (FTB) requests an augmentation of $612,000 General Fund in 2019-20 and ongoing for postage. This proposal seeks additional funding that will allow FTB to issue an annual information notice in January to business entities (including corporations, limited liability companies, and exempt organizations that have taxable or unrelated business income) that provides a summary of their estimate payment, transfer, and credit information for the prior tax year for which a return is now due. The notifications are intended to provide a source documentation for taxpayers allowing them to report their accurate estimate payments on their return. This will reduce errors on the return, which must be manually addressed by staff, reduce contacts to FTB’s contact centers and allow for the correct payment of tax upon the filing of the return.

B. Background/History

The primary basis for California’s tax system is voluntary compliance. FTB is responsible for income tax administration for the State of California and on an annual basis ensures the proper and timely collection and credit to the State’s fiscal accounts of over $103 billion\(^1\).

Annually, FTB engages in education and outreach with taxpayers to enhance their ability to timely file a tax return, correctly file their tax return, and to pay the correct amount of tax with the filing of the tax return. Providing tools to taxpayers up front, whether it is tax forms, educational materials or information returns, allows taxpayers to self-comply and this results in fewer interventions during the processing of the return to correct errors or to issue a notice to collect an unpaid amount. Twenty-five percent of FTB’s budget supports blue path taxpayers: those that file and pay the correct amount of tax timely. About 85 percent of the taxpayers that file annually are on the blue path.

In recent years, as FTB continues to look for ways to enhance compliance and address the Tax Gap, FTB identified that there is a strong likelihood of enhancing compliance if the department were to mail an information return to BE taxpayers regarding their estimate payments and other credits. An information return is a source document from a third party detailing an item of income or expense – common examples of information returns are W-2s, 1099s, and 1098s. In general, national studies related to the impacts of an information return show that for those income and expense items documented on an information return, taxpayers correctly report this item in excess of 95 percent of the time on the tax return\(^2\).

Key Points Regarding Estimate Payment/Credit Amounts:

- Annually, FTB receives over 87,000 calls to the Tax Practitioner Hotline (TPH) where tax professionals are seeking to validate estimate payments/credit for their clients. FTB is not able to track the number of taxpayers represented by these calls as the tax professional could be seeking this information on multiple clients.
- Annually, FTB issues almost 40,000 Notices of Tax Return Changes solely related to incorrectly reported estimate payments/credits. FTB does not have the ability to track these notices that address multiple errors so the 40,000 is the lower end of the universe.
- Annually, a number of calls from taxpayers directly are offered to FTB’s agents in the Taxpayers Services Center. FTB is not able to track this statistic but it has been operationally observed that this is a common call to the contact center.

The Filing Services Bureau (FSB) contact center is California’s primary contact for taxpayers and tax practitioners seeking information regarding its extensive Personal Income Tax (PIT) and Business Entity (BE) tax laws and policies. The TPH, established in 1987, provides exclusive services to attorneys, Enrolled Agents, and Certified Public Accountants (CPAs) via telephone on a variety of tax related issues.

\(^1\) Revenue figure is from the DOF 2018-19 May Revise for Fiscal Year 2017-18.
\(^2\) Validated on IOT: https://www.taxpolicycenter.org/briefing-book/what-tax-gap
This contact center is California’s primary service channel for tax practitioners seeking information regarding income tax laws and policies on their clients’ FTB PIT and/or BE accounts. These tax practitioners file almost 70 percent of the tax returns filed annually.

TPH agents are responsible for analyzing and correcting individual account errors and information regarding taxpayer liabilities, collection notices, filing enforcement assessments, and audit assessments. With the continuing implementation of new programs and tax laws, each contact to the TPH becomes more complex to resolve. The following information is noted:

<table>
<thead>
<tr>
<th>Fiscal Year</th>
<th>Calls Offered</th>
<th>Calls Answered</th>
<th>Calls Deflected</th>
<th>Level of Access</th>
<th>Average Wait Time to Talk with an Agent</th>
</tr>
</thead>
<tbody>
<tr>
<td>2012-13</td>
<td>228,182</td>
<td>189,846</td>
<td>5,968</td>
<td>83%</td>
<td>8:40</td>
</tr>
<tr>
<td>2013-14</td>
<td>217,838</td>
<td>180,026</td>
<td>4,509</td>
<td>83%</td>
<td>10:40</td>
</tr>
<tr>
<td>2014-15</td>
<td>222,992</td>
<td>165,160</td>
<td>14,651</td>
<td>74%</td>
<td>16:52</td>
</tr>
<tr>
<td>2015-16</td>
<td>245,065</td>
<td>180,316</td>
<td>22,217</td>
<td>74%</td>
<td>17:33</td>
</tr>
<tr>
<td>2016-17</td>
<td>337,795</td>
<td>249,357</td>
<td>47,648</td>
<td>74%</td>
<td>13:34</td>
</tr>
<tr>
<td>2017-18</td>
<td>350,209</td>
<td>268,795</td>
<td>45,465</td>
<td>77%</td>
<td>11:05</td>
</tr>
</tbody>
</table>

In prior years, FTB has been able to redirect staff to this call center to support an annual average level of access around 75 percent, as shown above. With this filing season’s significant tax reforms and ongoing financial issues, FTB is unable to continue to redirect staff to this contact center. As such, the level of access (LOA) during filing season and potentially ongoing is projected to decline to around 50 percent — which means 50 percent of tax professionals calling will need to continue to call back for assistance or will not gain assistance from FTB agents.

Historically, tax professionals have also been able to validate estimate payments/credits for their clients in online tools. However, in the last several years, with the significant data breaches of personally identifiable information (PII), FTB had to impose tighter restrictions on access to taxpayer specific data via FTB’s electronic tools. Additionally, with the recent passage of the General Data Protection Regulation (GDPR) in the European Union and the possible adoption in the United States, and the enactment of Assembly Bill 375 (2018), the department implemented further security measures to ensure FTB provides taxpayer data to only authorized individuals. For tax practitioners representing a client with their tax dispute or liability resolution, this has generally not imposed significant limitations. However, for tax practitioners attempting to file a return by a certain date and who do not otherwise need ongoing access to a taxpayer’s account, these additional security levels have posed limitations on the practitioners’ ability to access their clients’ information timely or at all. FTB notes the following supporting information:

The below chart shows that FTB experienced a 46 percent decrease from 2016 to 2018 in MyFTB estimate payment lookups for business entities:

<table>
<thead>
<tr>
<th>MyFTB Estimate Payment Lookups</th>
<th>2015*</th>
<th>2016</th>
<th>2017</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Business Entities</td>
<td>N/A</td>
<td>415,421</td>
<td>363,843</td>
<td>224,425</td>
</tr>
</tbody>
</table>

* 2015 Stats were maintained in the old MyFTB and were not transferred when the new MyFTB went live 1/1/16.

As a result of these emerging and overlapping factors, FTB has engaged in a pilot mailing of an information return (January 2019) to approximately one million BE taxpayers reporting their estimate tax payments and other credit information. The goals of this pilot are to assist taxpayers and tax professionals in filing their returns correctly, reduce calls to the contact centers, and reduce the identification and handling of return errors during processing. FTB does not have sufficient postage funding to continue this program annually. Below is the authorized and actual expenditures for the TPH:
C. State Level Considerations

FTB’s strategic goal of *Operational Excellence* leads to building an operational infrastructure that “optimizes processes, products, services and resources to better serve our customers.” Continuously providing excellent and cost effective products and services to FTB customers, such as ensuring taxpayers receive the information needed for filing accurate tax returns is critical to FTB’s success as a primary tax collection agency.

Additionally, FTB considers customer service a high priority and strives to “deliver excellent products and services,” where collaborations are done to meet customer’s needs. One way of accomplishing this is via FTB’s goal of providing *Taxpayer Centric Service*, which is to “enhance our services to help taxpayers fulfill their tax obligations.” Providing timely and accurate assistance is crucial to this achievement and maintenance of a healthy voluntary compliance system. Each interaction between tax practitioner and the FTB, whether it is through web and electronic self-service applications, forms and instructions, or verbal and written correspondence, represents an opportunity to influence current and future taxpayer behavior.

D. Justification

Information is a significant factor for taxpayers to be able to file their returns timely and accurately. Estimate payments and credits pending on taxpayer’s accounts are often not tracked sufficiently enough by taxpayers where they or tax professionals are able to accurately rely on their accounting when filing the return. Providing this information to taxpayers and tax professionals will allow them to file accurate returns, reduce calls to FTB’s contact centers, and eliminate work that FTB must do to update the return to show the correct information.

FTB has taken measures to alleviate estimate payment errors, such as discussion with the California Tax Education Council (CTEC) and Enrolled Agents, changing booklets, simplifying instructions and changing the tax form. The plan was to use these enhancements to increase taxpayer education. However, the changes have not alleviated the problem.

In an effort to further educate taxpayers and reduce the number of contacts to FTB’s contact centers before returns are filed and to reduce the number of error notices generated during return processing, the Filing Division created the Estimate Payment Notification (EPN) letter. This pilot program, reports estimate payment information for tax reporting purposes and provides taxpayers their total estimate payment credit received during the previous tax year. Taxpayers will then have the information available beforehand to prepare their tax return.

FTB is coordinating the process of mailing letters, stating estimate payments and other tax credit balances, to taxpayers so they or their tax practitioner can prepare accurate and timely tax returns. Once implemented and mature, this will reduce the number of calls received today from tax practitioners to verify their client’s estimate payments. With the first pilot, the potential universe identified that would receive this information is approximately one million. FTB has continued to refine the mailing universe to minimize associated costs. The funding requested in this proposal will be fully utilized to finance these mailings.
Goals of the EPN Program:

<table>
<thead>
<tr>
<th>Service</th>
<th>Annual Universe</th>
<th>25 percent reduction with EPN mailing - Year 1 (Pilot)</th>
<th>50 percent reduction with EPN mailing - Year 2 or 3</th>
</tr>
</thead>
<tbody>
<tr>
<td>Calls to TPH</td>
<td>87,000</td>
<td>22,000 less calls</td>
<td>44,000 less calls</td>
</tr>
<tr>
<td>Notice of Tax Return Change</td>
<td>40,000+</td>
<td>10,000+</td>
<td>20,000+</td>
</tr>
</tbody>
</table>

Because of these projected workload reductions, FTB looked to determine if ongoing costs could be absorbed. No, FTB is not able to absorb these costs ongoing, as there are not direct resource savings associated with the reductions.

- Reductions in calls promote a higher level of access for other calls and/or the allowance of FTB to cease redirecting staff to the business area in times of stress, which in turn allows FTB to address the other work and avoid backlogs that are created when staff is redirected.
- Reduction in tax notices allows FTB to continue processing the other returns with fallout sooner than before.
- The savings to the taxpayers should also be noted, as they are now able to report their payments correctly without contacting FTB and no longer need to engage with FTB post filing of the return to correct the errors on the return that was filed.

The most frequent reason for contact to the TPH is verification of BE estimate payments. This effort is aimed at reducing these contacts.

This funding is intended to allow FTB to continue pursuing implementation of the process of mailing letters stating estimate payments and other tax credit balances, to taxpayers so they can provide this information to their tax practitioners. Once fully implemented and mature, this will reduce the number of calls received today from tax practitioners to verify their client’s estimate payments. The augmented funding requested in this proposal will be fully utilized to finance this mailing.

This proposal does not have a facility impact.

E. Outcomes and Accountability

The EPNs are a customer experience enhancement that will provide the department with the following benefits:

- Reductions in unnecessary contacts to the TPH
- Reductions in return errors
- A positive public perception among the tax practitioner community
- A proactive approach to addressing the top reasons practitioners contact the TPH
- Increased LOA for the TPH, while using fewer resources
- Improved tax compliance

To address customer service as an enterprise issue, FTB’s Executive Management established the Customer Service Action Committee (CSAC). Committee membership includes enterprise-wide Division Chiefs and Bureau Directors managing programs impacted by customer service. The CSAC reports
directly to executive sponsors and ultimately to the Executive Officer. The CSAC will monitor the implementation and on-going progress of the initiative addressed in this proposal and will regularly report the challenges and successes of the initiatives to FTB’s Executive Management. While the responsibility for monitoring the use of funding associated with this proposal lies with the CSAC, the ultimate fiscal responsibility remains with the department’s Chief Financial Officer.

F. Analysis of All Feasible Alternatives

Alternative 1: Approve the $612,000 General Fund for 2019-20 and ongoing for EPNs

The increased funding will allow FTB to send notices to help reduce incoming calls and call duration to the TPH, raising the LOA and reducing the resource demand. In addition, it is expected to reduce the fallout that requires manual intervention during validation in processing incorrect estimate payment amounts claimed.

Alternative 2: Approve the $612,000 General Fund for 2019-20 and 2020-21 for EPNs and re-evaluate impacts of the program for ongoing funding needs

The limited duration funding will allow FTB to engage in a three-year pilot to send notices to help reduce incoming calls and call duration to the TPH, raising the LOA and reducing the resource demand. In addition, it is expected to reduce the fallout that requires manual intervention during validation in processing incorrect estimate payment amounts claimed. Ongoing funding would be subject to review based on pilot results.

Alternative 3: Do not approve the proposal

If the proposal is not approved, FTB will likely abandon the effort regardless of value to taxpayers or the state. This will result in continued dissatisfaction from tax practitioners and taxpayers. Without the increased funding FTB will also be unable to focus on the more complex accounts and increase the customer experience in other service channels.

G. Implementation Plan

- July 2019 – Department of Finance notifies FTB of funding approval.

H. Supplemental Information

None

I. Recommendation

Alternative 1: Approve the $612,000 General Fund for 2019-20 and ongoing for EPNs

This alternative will contribute to the overall goal for the department to transact business with taxpayers and tax practitioners more quickly, interacting in ways that are more convenient for them. Moreover, FTB will provide the information necessary to file accurate and timely returns, thus avoiding increased TPH and other service channel contacts.