STATE OF CALIFORNIA
FRANCHISE TAX BOARD

PUBLIC MEETING

THURSDAY, SEPTEMBER 12, 2019
1:30 P.M.

GERALD GOLDBERG AUDITORIUM
9646 BUTTERFIELD WAY
SACRAMENTO, CALIFORNIA

STENOGRAPHICALLY REPORTED BY:
KATHRYN S. SWANK, Certified Shorthand Reporter
CSR License No. 13061, RPR

KATHRYN S. SWANK, CSR (916) 390-7731
## INDEX

<table>
<thead>
<tr>
<th>ITEM NO.</th>
<th>PAGE</th>
</tr>
</thead>
</table>
| 1. Approval of Minutes  
   June 13, 2019, Meeting | 7 |
| 2. Regulation Matters  
   A. Notice and Demand Penalty,  
   Section 19133 | 7 |
| 3. Administrative Matters  
   A. 2020-2021 Budget Change Proposals  
   1. Enterprise Data to Revenue  
      Project (EDR2) - Phase 2  
   2. Accessibility Enhancements for  
      Web and Form Products  
   3. Mainframe Enterprise Server Refresh  
   4. Vehicle Registration Collections (VRC) Program System Modernization Project  
   5. Legislative - California Competes Tax Credit (CCTC) - AB93, SB90, SB855  
   6. Voluntary Income Tax Assistance (VITA) Expansion  
   7. FTB Campus Security Project | 10 11 12 13 13 14 15 |
<p>| 4. Board Members' Time | 20 |
| 5. California Earned Income Tax Credit and Young Child Tax Credit | 25 |
| 6. Legislative Update | 33 |
| 7. FTB Cannabis Update | 39 |
| 8. Enterprise Data to Revenue 2 (EDR2) Annual Update | 46 |
| 9. Individual Healthcare Mandate and Subsidy Program | 58 |</p>
<table>
<thead>
<tr>
<th>ITEM NO.</th>
<th>PAGE</th>
</tr>
</thead>
<tbody>
<tr>
<td>10. FTB Website Redesign</td>
<td>66</td>
</tr>
<tr>
<td>11. Executive Officer's Time</td>
<td>76</td>
</tr>
<tr>
<td>Adjournment</td>
<td>77</td>
</tr>
<tr>
<td>Reporter's Certificate</td>
<td>78</td>
</tr>
</tbody>
</table>
APPEARANCES

BOARD MEMBERS

BETTY YEE
State Controller
(Chairperson of the Board)

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

MALIA M. COHEN
Chairperson
Board of Equalization

GAYLE MILLER
Chief Deputy Director, Policy
Department of Finance

---o0o---

STAFF

SELVI STANISLAUS
Executive Director

DAWN CASEY
Board Liaison

JOZEL L. BRUNETT
Chief Legal Counsel

SHANE HOFELING
Assistant Chief Counsel

MICHAEL BANUELOS

SHERYL BRANDON

JAHNA CARLSON

MICHELLE FALLON

JEANNE HARRIMAN

MIKE MEEHAN
APPARENCES CONTINUED

STAFF CONTINUED

DAVI MILAM
JASON MONTIEL
JOSE OROZCO
SCOTT REID
JENNIFER ROUSSEL
JOEL SMITH
BOB SCHLIE
TIPHANIE WEISS
MARLENE WHITE

---000---
SACRAMENTO, CALIFORNIA

THURSDAY, SEPTEMBER 12, 2019, 1:30 P.M.

---o0o---

CHAIRPERSON YEE: Good afternoon. This is the scheduled time for the meeting of the Franchise Tax Board. 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: Chair-Controller Betty T. Yee.

CHAIRPERSON YEE: Here.

Okay. And we do have a quorum. Very well.

Thank you very much.

At least two members or their -- being personally present, we do have a quorum and the Franchise Tax Board is now in session.

At this time, I'd like to please ask everyone to stand and join me in the Pledge of Allegiance.

(Pledge of Allegiance was recited in unison.)

CHAIRPERSON YEE: Thank you.

Let me note, the public has a right to comment on each agenda item. And if there are any members of the public who wish to speak on an item, please come forward when that item is called, and you will have three
minutes to address the board.

First item is the Approval of the Minutes, and we have the minutes of the June 13, 2019, Board meeting before us.

Is there a motion?

MEMBER COHEN: So moved.

CHAIRPERSON YEE: A motion by Member Cohen.

I will second that motion.

Without objection, that will be the Board's order.

We'll now move on to Item number 2, which is a regulation matter relating to Notice and Demand Penalty, section 19133. This is an action item, and we have Joel Smith to speak on this item.

Good afternoon.

MR. SMITH: Good afternoon. My name is Joel Smith, and I am an attorney with the Franchise Tax Board.

We are seeking the Board's approval to proceed with the informal regulatory process to amend Regulation section 19133. Pursuant to Revenue and Taxation Code section 19133, Regulation section 19133 provides the framework for the Franchise Tax Board to impose the Notice and Demand Penalty on individual taxpayers who fail to file a return after contact from the Franchise
Tax Board.

Staff would like to proceed with the informal regulatory process to amend Regulation section 19133 in order to clarify how the Franchise Tax Board imposes the penalty.

Recently, staff has reviewed the current regulatory language and believes clarification could allow for ease of administration and avoid confusion regarding the imposition of the penalty on individual taxpayers.

Again, we request the Board's approval to proceed with the informal regulatory process for Regulation section 19133.

I am happy to answer any questions you may have at this time.

CHAIRPERSON YEE: Okay. Thank you very much, Joel.

Any questions?

MEMBER COHEN: I do have one quick question.

CHAIRPERSON YEE: Yes, please, Member Cohen.

MEMBER COHEN: Good afternoon, ladies and gentlemen.

Joel, I was wondering, are there any examples of confusion on the part of taxpayers or tax practitioners regarding the failure -- failure to file a penalty?
MR. SMITH: Currently, there's some confusion on tax appeal decisions, and so there's been guidance, in multiple directions, that have left things up in the air as to when the penalty is imposed.

MEMBER COHEN: All right. No further questions.

CHAIRPERSON YEE: Okay. Thank you.

And so Joel, the action you are seeking from the Board is to proceed to the interested parties process and to explore whether it is necessary to make the amendment to the regulation?

MR. SMITH: Correct.

CHAIRPERSON YEE: Correct.

CHAIRPERSON YEE: Very good. All right.

That is the matter before us.

Is there a motion?

MEMBER COHEN: So moved.

CHAIRPERSON YEE: Moved by Member Cohen.

I will second that motion.

Without objection, such will be the order.

Thank you.

MR. SMITH: Thank you.

CHAIRPERSON YEE: I will move on to Item number 3, Administrative Matters. We have the 2020/21 Budget Change Proposals requiring Board approval, and then we
have contracts over a million dollars also requiring Board approval.

Let me have the Budget Change Proposals first, and we'll have Tiphanie Weiss and Jeanne Harriman present those before us.

MS. WEISS: Good afternoon. Thank you. My name is Tiphanie Weiss. I'm the director of the Financial Management Bureau, and I'm here this afternoon with our Chief Financial Officer, Jeanne Harriman. We are presenting the 2020/21 Budget Change Proposals for your approval.

With your permission, we would like to provide a brief overview of each proposal, then answer any questions you may have.

CHAIRPERSON YEE: Sure. Thank you.

MS. WEISS: With that, I will hand it over to Jeanne to provide an overview of the first two proposals.

MS. HARRIMAN: Good afternoon.

The first proposal supports upcoming project effort for the Enterprise Data to Revenue 2 project, what's commonly referred to as EDR2. In this BCP, we are requesting 1.3 million for five permanent positions in 2021 and five limited term positions ending June of 2026.
EDR2 builds on the platform of delivering an Enterprise Case Management and Modeling Services for our audit, filing enforcement, and collection activities, as well as expanding on the taxpayer folder, commonly referred to as MyFTB, and call center functionality. In a later segment of this board meeting, you will hear all about EDR2.

This proposal requires the resources required to support two critical efforts: Change management and business documentation. Five limited term positions are requesting change management efforts. These are limited term for the duration of the project, and they help ensure that our staff are able to understand and adopt the significant changes to our technology, business processes, and procedures.

The remaining five permanent positions are to assist with the documentation of our IT systems, both initially to support the project itself, and then ongoing to support the annual enhancements and annual changes that we do.

The second BCP deals with accessibility. This BCP requests 18 new permanent positions, 3.6 million in 2021, and 3.4 million in 2021 ongoing. These resources allow FTB to continue to apply mandated accessibility standards on our website, web applications, tax and
business forms, instructions, publications, and tax return displays.

While FTB has been addressing accessibility over the past years, as FTB updates its products, we continue to grow in complexity. Without an increase in these permanent positions, FTB is unable or may be unable to continue to incorporate accessibility standards in our critical products, self-service communication channels, and our applications.

With that, I will turn it over to Tiphanie to talk about the remaining BCPs.

MS. WEISS: Thank you.

The next proposal is the mainframe enterprise server refresh, and it requests $6.1 million in the 2020/21 fiscal year and $115,000 in 2021/22 through 23/24 for the replacement of the enterprise mainframe server and software that is approaching end of market. FTB's mainframe is essential to the mission-critical legacy applications. The mainframe supports application systems associated with filing, collections, audit, nonfiler, and refund processes, as well as website and phone lines. All of these systems have substantial dependency on the data that resides within the mainframe.

These upgrades will ensure FTB's ability to
conduct our administrative duties and mitigate risks associated with running a system past an impending end of market date.

Our next proposal is the Vehicle Registration Collections System Modernization Project, and it requests 2.1 million in the 2020/21 fiscal year and 2.5 million in 2021/22 for the replacement of the Vehicle Registration Collection System.

In 1993, the California Legislature transferred the responsibility for collecting delinquent vehicle registration fees from the Department of Motor Vehicles to the Franchise Tax Board. The system FTB uses to administer this program is a custom-developed mainframe application that is now aging, lacks flexibility, and is at risk of not being supported.

This proposal provides for a stable, agile, and scalable solution that reduces the risk of system and technical failures that could negatively impact the program's revenue generating activities.

The next proposal is the California Competes Tax Credit proposal, and it requests 2.3 million in the 2020/2021 fiscal year and ongoing to convert 14 limited term positions to permanent positions and adds two new permanent positions to continue administering the provisions for the California Competes Tax Credit.
In 2013, the Governor's economic development initiative was signed and enacted as an incentive to boost California's economic development. This initiative included the California Competes Tax Credit. In June 2018, SB 855 was enacted, extending the allowance of the credit until taxable years beginning before January 1st, 2030.

This proposal will provide the resources required to continue to comply with the provisions of the California Competes Tax Credit and complete the required agreement reviews timely.

I will now turn it back over to Jeanne to provide an overview of the final two proposals.

MS. HARRIMAN: Thank you, Tiphanie.

The next proposal deals with VITA, the Voluntary Income Tax Assistance program.

We are requesting five permanent ongoing positions at a cost of 1.2 million, beginning in 2021, as well as reimbursement -- additional funding for reimbursement of costs incurred by the Department of Community Services Development.

The statewide VITA program provides much needed assistance to individuals with limited income and who cannot otherwise afford to pay a tax preparer or buy tax preparation software. With the enactment of the
California Earned Income Tax Credit, the Legislature has annually provided for grant fundings to support education and outreach conducted by nonprofits and community-based organizations, both on the credit itself and to assist in finding free tax preparation.

As a result of these grant funds, and in support of best business practices, FTB expanded our resource footprint, supporting these VITA training -- additional VITA training and additional sites. These resources will allow FTB to continue that increased resource footprint and support our important VITA partners.

The BCP also requests funding for FTB to continue reimbursing the Department of Community Services Development as we partner with them to issue the grants on an annual basis that are authorized by the Legislature.

The final proposal that we have for presentation today is a Capital Outlay BCP. This requests funding of 262 million to ensure that we are able to produce or implement enhancements on our campus dealing with security vulnerabilities that may exist. FTB's goal is to be proactive in addressing security vulnerabilities and mitigate or reduce the risk of a security breach that could result in risk to FTB's mission-critical operations and revenue to the State's General Fund.

KATHRYN S. SWANK, CSR   (916) 390-7731
At this time, these are presented for your approval, and Tiphanie and I are happy to answer any questions you might have.

CHAIRPERSON YEE: Thank you so much for the presentation.

Any questions, Board members, on the BCPs?

MEMBER COHEN: No questions. Maybe more a comment.

CHAIRPERSON YEE: Okay.

MEMBER COHEN: Just to commend the executive director and staff for moving us in the direction, bringing these items before us. I particularly am excited to hear about the additional staff to be added to support the VITA program. I think that that is fantastic. I think it's the front line program that directly assists taxpayers that gives them important information and assistance and -- so they can receive the tax benefit -- benefits that they deserve, particularly -- particularly reaching people that may not be aware that this opportunity exists. It's fantastic.

Also, needless to say, the BCPs before us deserve our support. I am excited; I will be supporting it. This is all in the vein of best practices. It's important that we have staff -- the staff have all the
tools that they need in order to fully execute their
job. And, again, you have my strongest support also for
the capital expenditures to enhance security. I think
you can never be too careful.

Thank you.

CHAIRPERSON YEE: Thank you, Member Cohen --
MS. HARRIMAN: Thank you.

CHAIRPERSON YEE: -- very much.

Let me add to the support for the expansion of
the VITA staffing resources, particularly with the
expansion of the CalEITC program, which will mean so
much more concentrated effort to find eligible claimants
to hopefully have them come forward and take advantage
of the VITA program.

I want to just applaud you for staying diligent
about bringing forward the IT infrastructure projects;
oftentimes, don't get addressed timely and obviously
results in costs and, more importantly, our ability to
deliver. So I think those are really one of our top
priorities and just always very appreciative of the
diligence associated with that.

I did have a question about the fiscal security
proposal. And it has to do with the OES assessment that
was done. Did they also do an assessment of our field
offices or was it just the main campus here?
MS. HARRIMAN: At this point, the primary study has been focused on the central office, the campus. We don't disregard our field offices though. We do do intermediary studies and so forth, but the studies addressed in this proposal primarily focus on the central office campus.

CHAIRPERSON YEE: Okay. Yeah. And I know we have a combination of state buildings and leased buildings where our locations are. So just curious about that.

All right. Thank you very much for the presentation. I think if there's no objection, we'll take them all up at once for a motion.

Is there a motion?

MEMBER COHEN: Yes. Motion. Or seconded or --

CHAIRPERSON YEE: Okay. Motion by Member Cohen to approve to 2020/21 BCPs as presented.

I will second that motion.

Without objection, such will be the order.

Thank you very much.

MS. WEISS: Thank you.

MS. HARRIMAN: Thank you.

CHAIRPERSON YEE: Next we'll hear from Michael Banuelos regarding our contracts -- or contract over a million dollars.
Good afternoon.

MR. BANUELOS: Hi. Good afternoon, board members. It's a pleasure to be here with you today.

My name is Michael Banuelos, and I am the director of Franchise Tax Board's Procurement Bureau. I'm here today to request the Board's approval to renew our software subscription and support contract for certain IBM projects. Without this agreement, several of our mission-critical applications and services will be unavailable, thus limiting our ability to process tax returns and serve taxpayers.

The current contract will expire on December 31st, 2019, and the estimated one-year renewal is $11 million. If approved, we will work with the Department of General Services or the Department of Technology to conduct a competitive bid for this contract.

Do you have any questions regarding the proposed contract?

MEMBER COHEN: I don't have any questions.

CHAIRPERSON YEE: No. Not at all. Pretty straight forward.

Okay. Hearing none, is there a motion?

MEMBER COHEN: Motion.

CHAIRPERSON YEE: Motion by Member Cohen to
approve the contract.

I will second that motion.

Without objection, such will be the order.

Thank you very much.

MR. BANUELOS: Thank you very much.

CHAIRPERSON YEE: Thank you.

Move on now to Item number 4. This is Board Members' Time, and we do have a board resolution for Michelle Fallon. These are always bittersweet moments, I have to say.

But Michelle, who has really served the people of the State of California for the past 32 years. Hard to believe. You look like you are 32.

MS. FALLON: Thank you. I know.

(Laughter)

CHAIRPERSON YEE: But, first of all, just on a personal note, Michelle is one of these people who, when you meet her, she is just, kind of, this even keel, same demeanor, whether high stress, low stress. But what I really love about Michelle is just her always, always quiet and sometimes not-so-quiet can-do attitude. And as she likes to say pretty -- pretty proudly that she refers to the FTB as the greatest taxing agency on the face of the planet. In fact, when I look at the adjective "taxing," it means something a little
different to me sometimes, though -- but I think I know what she means.

But, Michelle, just to really pay tribute to you, and obviously during your years of service here, the countless numbers whom you have mentored, always with just, as I say, a wonderful, wonderful demeanor. The pride that you instill, not just in the -- in the people with whom you work; certainly within -- throughout this organization. Your appreciation, I think, for what this organization does is just exuded every single day that you are here.

But we'll always appreciate you for your inspiring presentations on the power of positive gossip. Obviously, your mentorship of FTB staff and your insistence -- and I think this is really what we see in you every day -- that the pursuit of humility and kindness are of the most important and key career strategies. And having worked pretty closely with Michelle over the years, I can say that she's demonstrated all that and more. But we are also very, very happy for you and extend all of our best wishes for your future plans, which is learning how to play with power tools in her husband's workshop. I want to thank, Mike, I think. So I hope you are ready for that, Mike.

And obviously, your two sons, Jack and Josh, will
have your unlimited time and the three unruly mutts who
certainly don't deserve it.

So anyway -- but these are bittersweet moments
because as we look at, throughout state government, the
loss of institutional knowledge can't be understated.
You don't serve 32 years serving the people of the State
of California without really amassing a lot of
institutional knowledge, a lot of, just -- you've seen
your share of, probably, change management over the
years with respect to how we conduct our business as a
state agency.

But, more importantly, I think the legacy you can
feel proud about leaving, is just everyone whom you have
touched, who will continue to carry on all of your --
your knowledge that you have imparted over the years.
And with that, we are very, very deeply grateful.

Thank you.

MS. FALLON: Thank you very much.

CHAIRPERSON YEE: Let me see if Member Cohen
would like to add her comments.

MEMBER COHEN: I just -- I don't know you.

(Laughter)

MEMBER COHEN: And out of the 34 years that you
have been working for the FTB, we have only worked
together nine months.
MS. FALLON: Well, we did have that very special moment in the bathroom on Tax Day. Do you remember that?

(Laughter)

MEMBER COHEN: We did. We did. It's very true. You know how I feel about Tax Day. I mean, I've been here before and I've shared with how exciting it is. It's up there with Election Day.

But what I do want to say is that when I talk to anyone that is in this period -- in a period of transition, I am -- I am just really excited, because you -- you have -- you have done your time, you have paid incredible debt to the State of California, and now it's -- now it's your time to grab hold and do what you want to do, go places that you want to go, eat whatever you want to eat, and really live for yourself.

I feel like for probably the first third, maybe the two-thirds of your life, you have been living for maybe your family, your children, and your career. But this time, you should take it for yourself and enjoy this transition, and reach it with phenomenal optimism. And I look forward to joining you one day.

(Laughter)

CHAIRPERSON YEE: Please join me in congratulating Michelle Fallon.
(Applause)

MS. FALLON: Thank you very much.

And first, can I begin by saying, Betty, I really appreciate you taking this item out of order. You have no idea how much this means to me. I've been waiting for this for years, watching from the back, longingly, as my friends get their resolutions. And as usual, you exceed all expectations we should have of our chair.

I also wanted to publicly thank all of my friends. Boy, we have worked hard together, haven't we? We have seen each other through good times and bad, and we have done some crazy, awesome things together and had a lot of fun along the way. Can I just tell you that, in all sincerity, I am so honored to have worked alongside of you, all of these years.

And, finally, FTB has been very fortunate to have board members who always encourage and inspire us towards excellence, and it has been an honor for me to be able to work for you. So thank you very much.

CHAIRPERSON YEE: Thank you, Michelle.

And just, really, as a small token of our appreciate, we do want to -- Member Cohen and I would like to present this resolution to you on this occasion of your retirement.

(Applause)
CHAIRPERSON YEE: And thank you to John for lending us to her all these years and her family.

All right. Now I will move on to Item number 5, and that is a PowerPoint presentation on the California Earned Income Tax Credit and the Young Child Tax Credit programs. And that will be presented by Jason Montiel and Davi Milam.

Good afternoon.

MR. MONTIEL: Good afternoon. I'm Jason Montiel from the Public Affairs Office here at the Franchise Tax Board.

MR. MILAM: I'm Davi Milam with Franchise Tax Board's Legislative Services Bureau.

MR. MONTIEL: And, really, it is our pleasure to provide you with an update on refundable California tax credits designed to help even more low income Californians make ends meet this coming tax season. We have got good news to report about an important expansion of the California Earned Income Tax Credit, commonly known as CalEITC, as well as the introduction of the new Young Child Tax Credit.

We have also got big plans to promote both of these credits. But, first, Davi will provide an overview of what's new.

MR. MILAM: Thank you, Jason.
There has been a lot of news coming out of the capitol this year when it comes to helping families. At the top of the list is the expansion of the California EITC, which is designed to help hard working, low income households. Over the past four years, this valuable credit has provided a total of about $1.1 billion to struggling families. This is very important in California, as Census numbers show that one in five people live in poverty.

During the coming tax season, an estimated $1 billion could be claimed between the CalEITC and the new Young Child Tax Credit when tax year 2019 tax returns are filed. That breaks out to about $640 million claimed for the CalEITC and about $360 million claimed for the Young Child Tax Credit. That's money that families can use for food, housing, or whatever they need. That's a huge increase from tax year 2018, when $372 million was claimed for the CalEITC.

So who qualifies for these credits? First, let's look at the CalEITC. Under the expanded CalEITC, families can now earn more money and still receive the credit. For instance, a family making up to $30,000 in tax year 2019 may qualify regardless of whether they have dependents. That's a huge jump, compared to tax
year 2018, when CalEITC was available to those with dependents making less than 25,000, and to those without dependents making less than 17,000.

This coming tax season, CalEITC claims are likely to go up. Under the expanded CalEITC, we expect about 3 million families to claim the credit when they file their tax year 2019 California income tax returns. That's a big increase from 2018, when we estimated 2 million families would claim the credit. So far, we're right on track to hit the target.

Now let's talk about the new Young Child Tax Credit, which really goes hand in hand with the EITC. The Young Child Tax Credit is available to families making less than $30,000. A family that qualifies for CalEITC and has a young child under the age of six will also qualify for up to $1,000 worth of Young Child Tax Credit.

Like CalEITC, it phases out as families earn more money. We estimate about 400,000 families may receive the Young Child Tax Credit. As you can see, there have been a lot of changes benefiting working families.

Now I will turn it back over to Jason, who will speak about our outreach efforts.

MR. MONTIEL: Thank you, Davi.

With all the news about credits aimed at helping
families, we're tailoring our outreach efforts to educate as many people as possible. The Franchise Tax Board is part of a coalition of state and federal government departments, along with nonprofits, entering the fifth year of a coordinated effort aimed at educating California working families about CalEITC and how to claim it with the help of free tax preparation services offered all around the state.

This year, we're also going to be talking about the new Young Child Tax Credit since the two credits largely serve the same eligible families. We have learned over time, really, to keep our messaging simple: We promote these credits as a way to increase your refund. We encourage families to get help at free tax prep sites as well. We're also enlisting the help of trusting community partners once again to help get the word out. And once again, the Governor and Legislature have set aside a total of $10 million worth of state outreach grants, with $5 million going to promote CalEITC and $5 million going to promote free tax preparation. Grantees will carry out statewide and local outreach efforts aimed at reaching eligible families.

Now, they are very creative in their efforts, which range from tacos and taxes events, tax prep
events, to walking through neighborhoods and sharing CalEITC brochures. Grantees know their communities very well, and we believe enlisting their help really works.

Now, we're right in the middle of the grant issuance process right now. In fact, the grants were just announced earlier this week, on Tuesday, and we expect the grant money to be issued starting in a few weeks, on October 1st. We know that grantees plan to hit the ground running and get a jump start on promoting CalEITC and free tax preparation services before and during tax season.

FTB already has some exciting things planned to get the word out as well, including the return of our computer-equipped e-buses which bring free tax prep to communities all around the state, helping people get the returns done, and, in many cases, connecting them with state and federal Earned Income Tax Credits. Last year, FTB organized a 52-stop e-bus tour involving 19 partners. And, this year, we hope to beat that record, both in the number of stops and in the number of partners.

We also plan to ship more brochures, posters and -- posters and postcards touting EITC -- CalEITC and free tax prep. Last year, we issued 1.7 million pieces of these marketing materials in six languages. And we
hope to increase that number as more partners take
advantage of free -- the free materials that we offer.

We also plan to mention the new Young Child Tax
Credit in our brochures, since this credit really goes
hand in hand with CalEITC.

And this year, FTB's wonderful Volunteer Income
Tax Assistance Team is taking the lead on developing a
fresh set of training videos to encourage more people to
become VITA volunteers and connect taxpayers with
CalEITC. The new training videos will mention CalEITC
and the new Young Child Tax Credit.

Now, while we're really excited about the
expansion in CalEITC and the introduction of the Young
Child Tax Credit, this is really a story about the
people we help. We have seen people literally cry for
joy when they get their taxes done for free and receive
federal and state Earned Income Tax Credits.

One single mom who we met at an e-bus event last
season, in South Sacramento, really has a great story.
We would like to share with you a short video and let
her speak for herself.

(Video presentation.)

MR. MONTIEL: So as you can see, the EITCs and
free tax prep are really making a positive difference in
the lives of many Californians. And while it's only
September, we're already working hard on our outreach push for next tax season.

Thanks for the opportunity to provide you with this update and we're -- Davi and I are happy to answer any questions.

ACTING CHAIRPERSON STOWERS: Thank you, Jason.

For the record, let it show that Controller Yee has stepped away from the dais, and her designee, Yvette Stowers, will be taking over for her. And also let it show that Member Gayle Miller is here.

So Members, any questions?

MEMBER MILLER: Just a quick shoutout to the Franchise Tax Board and the amazing work you have done on this program. Obviously it's really important to the Governor and we really appreciate it.

And I do just want to make a plug that to the extent we can make this easier and easier, as you have done with all the various -- with the e-bus and the filing and the help and the calculator, it's just been -- it's been such a pleasure to watch. And I do think what you will keep seeing is a push to make it to -- to perhaps make it easier to look at an auto-populated form to find ways to really help taxpayers that have done it in the past.

So thank you again, and -- and we definitely look
forward to working together to see how we can even
increase utilization more. And that's a great
presentation.

Thank you.

ACTING CHAIRPERSON STOWERS: I also -- Ms. Cohen?

MEMBER COHEN: Thank you very much. Just real
quick.

I do have a question: It actually has to do with
language and language access. So I recently read a
statistic that there are approximately 92 languages
spoken, other than English, in the United -- in Los
Angeles Unified School District system. And assuming
that these students all have parents, many of whom could
qualify for one or more of these tax credits, maybe you
could describe to me the outreach effort for those
parents or for those persons who are not proficient in
English.

MR. MONTIEL: Sure. That's actually a really
great question.

Last season, we offered our brochures in six
different languages: English, Spanish, Mandarin,
Korean, Vietnamese, and Russian. And, this year, after
working closely with our CalEITC partners, we determined
that we're going to add Hmong as the seventh language,
and so we're looking to reach more and more families.
MEMBER COHEN: That's great. Thank you. I applaud your efforts.

MR. MONTIEL: Thank you.

ACTING CHAIRPERSON STOWERS: Thank you.

I too would like to first thank you, Jason, and then the entire Public Affairs team because you guys do an excellent job in marketing this credit.

Was it just five years ago when we had our baby?

MR. MONTIEL: Yes.

ACTING CHAIRPERSON STOWERS: And our baby was crawling. Then she started to walk. Well, look at us now. It is really, really running. Looking forward to a very successful Earned Income Tax Credit and Young Child Tax Credit season this year.

And the volunteers, man, you guys -- the effort you put in to learn the tax laws, on your own time, it's just fabulous. So, again, VITA volunteers, thank you very much. Going to be there this year.

Thank you.

MR. MONTIEL: Thank you.

ACTING CHAIRPERSON STOWERS: So our next item is Item 6, Legislative Update. This is an informational item. Presentation by Jahna Carlson. Ms. Carlson.

MS. CARLSON: Good afternoon, Members.

My name is Jahna Carlson, and I am the
Department's Assistant Legislative Director. It's a pleasure to be here this afternoon and to provide you a summary of what has been a very busy legislative season.

Today's updates are going to be limited to a summary of the legislation of interest that has been enacted to date or/and the interested -- interesting legislation that it has been sent to the Governor.

So to begin with the enacted budget trailer bills that impact the department, there have been four this year:

First, AB 91, the Loophole Closure and Small Business and Working Families Tax Relief Act of 2019. This bill was a multi-provision bill that modified the California Earned Income Credit and created a Young Child Tax Care Credit, as you heard in Jason's and Davi's presentation.

AB 91 also conformed to a number of provisions of the Federal Tax Cuts and Jobs Act of 2017 that provide tax relief to California's families and small businesses.

There are two areas of conformity that I would like to mention specifically: First, AB 91 conforms California law to the federal increase in the allowable contribution to ABLE accounts. ABLE accounts are tax advantaged savings accounts for individuals with
disabilities and their families. This bill also
conformed to the federal change allowing rollovers from
529 college savings plans, similarly a tax advantaged
savings account for education, to an ABLE account
without penalty. These changes provide California
families additional flexibility in planning for the
future care and educational expenses of their loved
ones.

AB 91 also conformed to the federal provision
allowing specified small businesses to elect to use the
cash basis method of accounting. This change reduces
the burden of compliance by allowing eligible small
businesses to use the same accounting method for state
tax purposes that is allowed for federal tax purposes.

Moving to the second bill, AB 101. AB 101 had to
do with housing affordability, and, among other things,
it increased by $500 million the amount available for
allocation under the Low Income Housing Credit.

The third bill, SB 78, created a California
individual health care mandate, a program similar to the
federal Affordable Care Act administered by the IRS.
The state program will be administered by the California
Health Benefit Exchange, also known as Covered
California, and the Franchise Tax Board. There will be
a presentation later in the meeting that will provide
you many more details on this new program.

Finally, SB 92. This bill requires the Office of Tax Appeals to establish a process for an appellant to opt to appear before one administrative law judge rather than a three-member panel if their dispute related to the personal or corporate income tax is less than $5,000. This change is administrative and, of course, reduces the burden on the state resources for these disputes as well as reducing the challenge for a taxpayer that is attempting to take advantage of their administrative relief.

Moving on to enrolled bills, and although there is few enacted bills so far, we have seen things move to the Governor's desk for consideration. Consistent with most years, there are a number of bills that would modify or add voluntary contributions to the tax return that have reached the Governor. Of these, SB 309 is of interest, as it would remove the minimum contribution requirement for the California Senior Citizen Advocacy Voluntary Tax Contribution Fund -- it's a mouthful -- the funding source for the mandated California Senior Legislature, thus allowing that fund to remain on the return in perpetuity.

Of the cannabis-related bills, only AB 37 has been enrolled. This bill would allow taxpayers subject
to the personal income tax law, that are engaged in a
cannabis-related business, the same deduction in credits
treatment, that is currently allowed to taxpayers
operating a cannabis-related business that are subject
to the corporation tax law. So this bill would, if
enacted, bring parity to those two categories of
taxpayer.

In the area of education and housing
affordability, AB 211 would provide an above-the-line
deduction for contributions to ScholarShare accounts,
increasing the incentive for families to save for
college educations. And AB 1590 would establish an
income tax credit for qualified new home buyers.

And although this is not an exhaustive list of
bills that have been moved to the Governor's desk, it
does provide a flavor of those items touching the income
and FTB franchise tax matters that remain active this
session. The session does wrap up tomorrow, and the
last day for bills to be passed is October 13th -- or,
excuse me. October 13th is the last day for the
Governor to sign or veto bills in his possession. So
we're in the home stretch, but there's still a lot of
activity that could occur.

In closing, I would like to acknowledge and thank
all of the staff that have been involved in the
Department's legislative process: The staff of the Legislative Services; Economics and Statistical Research; and the Legal Division's Technical Resource Bureaus; our program areas' subject matter experts throughout the department; our supportive managers and executive staff; and as well as you and your staff. It is really an honor to serve you and the people of the State of California.

Thank you for your kind attention, and I would be happy to respond to any questions.

ACTING CHAIRPERSON STOWERS: Thank you, Jahna.

Members, any questions or comments?

MEMBER COHEN: I just want to say that I'm particularly encouraged by the report on AB 101, which will provide up to 500 million for the Low Income Housing Credit for certain low income housing projects. I think that's just incredible. We, as a state, need to continue moving in that direction. And there's just great need to continue for -- for us to continue to build low income housing, so this is promising.

Thank you.

ACTING CHAIRPERSON STOWERS: Thank you.

Also want to commend you. What a busy season. You did a lot. All of you did a lot. And especially dealing with the selective conformity on the federal tax
side. You had several open meetings, engaged the public, and it's nice to see that some of those items were taken into consideration.

Great job. Thank you.

MS. CARLSON: Thank you.

ACTING CHAIRPERSON STOWERS: Members, next item is Item 7. It's a PowerPoint presentation on FTB Cannabis Update presented by Bob Schlie and Sheryl Brandon. This is an informational item.

MR. SCHLIE: Good afternoon. My name is Bob Schlie, and this is Sheryl Brandon. As the co-chairs of FTB's cannabis -- Enterprise Cannabis Team, we're here today to share information with you about cannabis efforts. It's been over a year since we last provided the Board with an update on our activities. As such, we'll include some background information, along with updates on our current activities, and a look ahead to the future.

In 2016, Proposition 464 legalized adult use of cannabis in California, which was followed by legislation establishing a single system of administration for cannabis laws in the state. At the beginning of 2018, cannabis business licensing began at the state level.

But before we dive into our update, I would like
to point out that FTB isn't working in a vacuum. As we have reported in the past, we have surveyed other states that have previously legalized cannabis to learn from their challenges and successes. We have also been working collaboratively with our state agency partners, industry representatives, and the business community. It's partnerships like these that help us better assist California's taxpayers.

Now, to prepare for the new cannabis industry, we formed a Cannabis Business Team, a departmental team specific to cannabis implementation, made up of representatives from across the enterprise. The Cannabis Business Team is composed of four sub-teams: Internal operations, education and outreach, legislation, and compliance. We have organized today's updates based on the activities of these sub-teams.

Our internal operations sub-team is tasked with reviewing FTB's filing and payment processes to determine if any changes are needed to these processes to accommodate the cannabis industry. Based on the team's early research, it became evident that FTB's payment processes would need to be modified. With cannabis remaining illegal under federal law, many of these businesses lack access to financial institutions. As such, these businesses use cash for most of their
transactions, including paying their taxes. However, FTB wasn't set up to accept large amounts of cash. In fact, FTB instituted a no-cash policy in 2015. However, FTB's no-cash policy does provide an exemption for taxpayers for whom the no-cash policy results in an undue hardship.

Cannabis businesses without access to a financial institution can apply for this exemption. Our education and outreach sub-team created a video to help cannabis taxpayers understand the cash exemption process and payment processes, and we'll share that video with you later on today in our presentation.

Furthermore, we partnered with our sister agencies to expand our ability to assist our customers with making cash payments. In addition to the no-cash policy, there were several other logistical hurdles we needed to overcome. First, there was the matter of providing taxpayers with a safe environment to physically bring cash into our field offices, which are open to the general public.

Second, since we moved away from accepting cash, our field offices did not have the infrastructure to accommodate large amounts of cash. Our safes weren't large enough, we weren't staffed to count the cash and resolve any discrepancies in a timely manner, and we
didn't have a way to transport the cash from our offices to the State's bank account. To overcome these hurdles, we partnered with our sister state agencies, who have the necessary infrastructure in place to accept cash. We have established new procedures for taxpayers from how to package their cash to how to schedule their payment appointments. We have also entered into a contract with an armored truck transport company to move the cash into the State's bank account.

MS. BRANDON: Our education and outreach sub-team has been busy with education and outreach activities for some time. We created a web page specific to cannabis businesses that provides basic information about filing and paying income taxes. We established a dedicated e-mail address to address cannabis income tax-related questions. We continue to attend cannabis industry events, where we give presentations, answer questions, and provide informational materials. We recently began using FTB's social media channels to get our message out. And, finally, we hosted two interested parties meetings so that the public could ask questions and we could address their concerns. Also, as mentioned earlier, we created a cash exemption video to help taxpayers understand and navigate this process. A link to the video is found in the payment section of our web
page, and we would like to share the video with you now.

   (Video presentation.)

   MS. BRANDON: Finally, we recently mailed over 950 welcome letters to taxpayers who were recently licensed by one of the cannabis industry California licensing authorities. These letters provide helpful information and direct taxpayers to our web page and e-mail address to assist them in meeting their tax obligations.

   Included with the letter was an informational insert that provides additional information to get people where they need to go in easy-to-understand terms.

   Our legislation sub-team tracks legislation developments related to cannabis, including legislation that will affect the banking and the -- banking industry and the deductibility of business expenses. The legislation team reviews pending legislation, so FTB is prepared should it be enacted.

   The legislation team has also fielded calls from elected officials related to proposed cannabis legislation.

   Our compliance sub-team is currently developing a comprehensive compliance strategy to identify red path, or noncompliant taxpayers, and help them move to the
blue, or compliant, path. Our compliance strategy will be multifaceted and will include efforts from simple education letters to more individualized approaches. With this year being the first year that most newly formed cannabis businesses are required to file an income tax return with FTB, our compliance efforts are currently in the crawl stage. To date, we have received licensing data from the California's three licensing authorities and looking forward into other sources of data.

MR. SCHLIE: As you can see, we've been diligently working to expand our ability to serve the cannabis business community and will continue our education and outreach efforts to assist these taxpayers.

Thank you for your time today. We would be happy to answer any questions you have.

ACTING CHAIRPERSON STOWERS: Thank you.

Members, questions or comments?

MEMBER MILLER: Just one question: The relationship you have with the armored car folks, how does -- do you have to meet the taxpayers in order to receive the cash or how are you -- how does that communication between the taxpayer, you, and the armored car service work?
MR. SCHLIE: Sure. So we have a contract with the armored car company. Taxpayers are given -- we block out certain dates during the year where taxpayers can schedule appointments to come into the office to bring the cash so the taxpayer would physically transport that cash in or have a representative do that for them.

When we -- when the taxpayer schedules that appointment to deliver the cash, we then contact the armored car company and let them know that we will need their services on that particular day.

MEMBER MILLER: And that's the only security you have for cash collection is through --

MR. SCHLIE: There are also physical security, Highway Patrol, in the offices on the days in which taxpayers are bringing cash in. So we do have the physical security in the office. Then we have the security to transport the cash.

MEMBER MILLER: Okay. Thank you very much.

MR. SCHLIE: You are welcome.

ACTING CHAIRPERSON STOWERS: Thank you.

I just have a question regarding the cash exemption. I am correct that exemption is not just limited to cannabis businesses?

MR. SCHLIE: That is correct. Any taxpayer that
can demonstrate an undue hardship with our cash
exemption or with the no-cash policy can complete that
cash exemption form.

    ACTING CHAIRPERSON STOWERS: Thank you.

Okay, Members. Thank you very much for your
presentation.

    MR. SCHLIE: Thank you.

    ACTING CHAIRPERSON STOWERS: Thank you.

Our next item is Item 8. It's a PowerPoint
presentation on the Enterprise Data to Revenue annual
update presented by Jose Orozco and Jennifer Roussel.
This is an informational item.

    MS. ROUSSEL: Good afternoon, Board members.

    I am Jennifer Roussel, the EDR2 business director
for FTB. And with me today is Jose Orozco, the EDR2
technical director.

    Today we'll be providing an informational update
on the Enterprise Data to Revenue project, also known as
EDR2. The last annual update FTB gave to the Board was
in June of 2018.

Since the Board has new members this year, we'll
provide you with a short recap of the FTB's Tax System
Modernization vision before we give you more information
about the project.

Jose will be covering this information for us
today.

MR. OROZCO: Thank you, Jennifer.

In 2007, FTB created a Tax System Modernization plan. The plan outlined three large scale projects over a 30-year period, focusing on three main areas. Those areas include modernizing our aging IT systems, focusing on our business opportunities and the objectives, furthering our strategic vision by improving taxpayer services, effective compliance, and operational excellence.

The 30-year plan is comprised of three large projects, each project taking approximately ten years from -- to complete, from the planning, all the way to final implementation. Each project builds on the previous.

In 2015, we completed the first phase of this plan known as the Enterprise Data to Revenue project, or EDR. EDR established our new foundational systems, such as Case Management, the Taxpayer Folder, and the MyFTB application.

Phase 2 is known as EDR2, which is the current project that we're giving you an update on today. The primary focus is to move our Audit, Filing Enforcement, and Underpayment systems of work onto the new enterprise platform implemented with the first phase of EDR. And
EDR3 will focus on replacing our aging accounting systems.

In addition to modernizing our IT systems, our Tax Systems Modernization Plan focused on six strategic business problems, which will help address the tax gap, build on enterprise property improvements, and provide improved service to our taxpayers, thereby generating revenue for the State.

These six -- these six key components include expand data availability, improve business processes, reduce system redundancy and improve system reuse, improve the customer experience by implementing self-service tools, increase data analytics, and replace our aging systems and outdated technologies.

With EDR1, we reached 28 percent of our goal to address these six strategic business problems. With EDR2, we will build upon the success of EDR1, and we will reach 83 percent of our goal. And by the end of our final phase with EDR3, we will reach our goal in addressing the six strategic problems we set out to address in the Tax System Modernization plan.

Now Jennifer will share with you some of the progress we have made on the EDR2 project and talk specifically about the business problems we are working on with this project.
MS. ROUSSEL: So with EDR2, we will continue to work on our strategic business problems, as Jose mentioned. The new solutions will increase efficiencies, improve worker productivity, and result in additional revenue. We will address our business problems by moving our Audit, Filing Enforcement, and Underpayment systems on to the enterprise platform that was designed and implemented as part of EDR1.

Moving this allows us to have improved access to enterprise data and create one enterprise modeling system and one enterprise case management system. This will result in new and improved data analytics, new Underpayment, Audit, and Filing Enforcement models, as well as improved case selections and case management across the enterprise.

Using the enterprise data and the modeling and case management systems, we'll be able to automate manual processes, implement new strategies aimed to change taxpayer behavior to promote compliance, provide an expanded array of self-service solutions that help all California taxpayers, and to enhance our processes to detect errors earlier in our process.

Finally, we will be able to retire outdated legacy systems, such as the Audit, Filing Enforcement, and Underpayment systems that are nearing their end of life.
their usable life.

The EDR2 project kicked off in 2016. Currently, we're in the planning stage of the EDR2 timeline. A large part of the stage is the procurement cycle. We're excited to report that we're on track to start the project in July of 2021. We estimate the project to last 48 to 60 months, which puts the completion by the end of 2025. Since we're currently in the procurement cycle, we would like to share our procurement focus update and some of the next steps that will bring us to the beginning of our project implementation stage.

MR. OROZCO: We're working closely with our oversight teams, including the Department of Technology and the Department of Finance, to ensure that we are meeting the requirements of the project approval life cycle process, also referred to as the PAL process. It is a collaborative partnership, which we are working together on all aspects of procurement and planning phases for the EDR2 project. By working together, we ensure a comprehensive plan that includes appropriate oversight and support throughout the project planning process. This ultimately sets up the project for success.

The PAL process consists of four distinct stages. We are thrilled to report that in August, stage 3 of the
PAL process was formally approved by CTD. This takes us through the detailed solution requirements, and we are now in stage 4, which is the final stage of the PAL process.

In this stage, we will continue to work closely with our oversight teams to complete the project readiness and open -- excuse me, the project readiness and approval requirements that include project costs, project schedules, project readiness, and, finally, selecting a vendor.

I believe that you all know how important it is to form collaborative relationships with our partnering vendors. It is critical for large projects such as these. We have made this a fundamental part of our procurement and project planning process for the EDR2 project. Our primary goal of this partnership is to ensure the success of the project and, ultimately, that the deliverables we receive through the project will meet and sometimes maybe even exceed our expectations.

Today we -- today we will share with you just some of the top steps we have taken during the procurement process to collaborate with the vendor community.

In 2017, we submitted a request for information to the vendor community so we could get their ideas and
inputs on possible solutions to our strategic business partners we discussed earlier.

In 2018, we released the projected project dates to ensure vendors would be aware of important upcoming project deadlines so they can plan accordingly.

And earlier this year, prior to releasing our requests for proposal, also known as the RFP, we conducted a two-day vendor workshop to share information about FTB so that the vendors -- the vendor community could better understand our current business environment, our technical infrastructure, and our missions and goals before we released the final RFP.

This spring, we also gave vendors an opportunity to submit feedback to FTB by releasing a draft RFP. We considered vendor feedback and that led to refinements in our final RFP, which was released on April 30th.

Earlier this summer, vendors submitted their responses to our invitation to partner bidding step. We evaluated the vending responses to identify those vendors who have a reasonable likelihood of providing a value-effective solution to the EDR2 project strategic goals.

As a result of this process, we have established a pool of qualified business partners. We're excited to share with you that through the invitation to partner
process, we had four different vendors apply.

MS. ROUSSEL: So our next steps will carry us
through the start of the implementation of the EDR2
project, which involves continuing the process of
planning and so forth, in preparation for that start of
July of 2021. Next month, we will meet with CDT and the
Department of Finance to officially kick off stage 4,
which, as Jose mentioned, is the final stage.

As with all projects, especially ones of this
size, funding is absolutely critical. As you heard
earlier today, we are submitting a BCP for the 2021 year
to help us get started, and we do appreciate your
support.

We also anticipate submitting a proposed BCP
during the 21/22 cycle. Over the course of the next 12
to 18 months, we will continue to work with the
qualified business partners to refine our RFP, provide
them with feedback on their proposals, and ultimately to
award that -- the contract to a vendor.

All is aimed at keeping us on track for our
planned start date of the project of July of 2021. We
can only do this with the partnership that we have with
CDT and the Department of Finance and the support of the
board.

MR. OROZCO: On behalf of the whole department,
Jennifer and I would like to thank you for your continued support on this very important project.

This concludes our presentation today.

Do you have any questions for us?

ACTING CHAIRPERSON STOWERS: Thank you.

Member Cohen? Member Miller?

MEMBER COHEN: Thank you.

Wow, this appears to be a very ambitious program. I applaud you for taking this on.

I have two questions. So I see that in Phase 3 of the data upgrade, that's scheduled to be operative in 2035. And I'm curious to know if this third stage is complimentary to the first two upgrades in Phase 1 and Phase 2.

MR. OROZCO: It is complimentary in the sense that with every subsequent phase, the technology that we roll out, we plan to use it for additional functionality. So in Phase 3, we're going to be focusing mostly on our accounting systems. So today, those accounting systems are in our mainframe environment, and we expect them to be living on for the next 15 years before we transition them over into the enterprise platform that we're building.

MEMBER COHEN: That's good because my next question is, has FTB considered the possible information
technology changes that may occur during the next 16
years? And how -- how these changes could impact Phase
1 and Phase 2?

MR. OROZCO: That is an excellent question.

So -- so, yes, we have. And that's also part of
the spirit of being able to build on the prior project
as well. So what we have is, we develop a integrated
tax system here at FTB, where if components are no
longer supported going forward, we can replace them with
whatever the new technology is. So it's a very modular
solution where we can swap items out, if needed.

MEMBER COHEN: Thank you.

MEMBER MILLER: I just have one question, as you
bring people up to stage. What I didn't see in here was
taxpayer education.

Do you do -- do you plan to do a lot of that just
to make sure, like, when people go online, and they're
suddenly -- you know, like when I get an update on my
iPhone?

MS. ROUSSEL: Yes.

MEMBER MILLER: Okay. And then just to follow-up
to that. To the extent when you are doing procurement
and working with a contractor, is part of the contract
that that person stays on site to help you transition
and troubleshoot if there are issues with the interface?
MS. ROUSSEL: Yes. 100 percent. The contract affords opportunities for us to partner with our vendor regarding change management activities, business implementation activities, as well as all of the education and outreach that's necessary to bring both our internal users and our external customers on, as well as, they are here to support us continuing through maintenance and operations.

MEMBER MILLER: And then my final question is just if there's any beta testing that goes on before you go live? We have just seen a lot of projects that -- that could have maybe had a little test run.

MR. OROZCO: Yes.

MEMBER MILLER: So I would encourage you to think about that as you get into your larger -- into, like, issues that impact taxpayers all the time. And FTB has done such a great job of this for so long, I just would love you to keep your pristine --

MR. OROZCO: Yes.

MEMBER MILLER: -- ability.

MR. OROZCO: In our statement of work, we have actually built that process into it.

MEMBER MILLER: Great.

MR. OROZCO: Here, at FTB, we call that process the crawl-walk-run process, which means that as we roll
out new functionality, we have dual systems running and 
with -- we are channeling workload on to the new 
solution a little bit at a time to flesh out any defects 
that we didn't catch during the STLC process, 
development process.

Once we flesh that out, we then start migrating 
over more and more work on to the new solution until we 
retire the old solution. And that process is explained 
in our statement of work.

MEMBER MILLER: Great.

MS. ROUSSEL: And I will add to -- from an 
external customer perspective, the usability and the 
customer experience, as well as our internal user 
experience is very, very important to us to the degree 
that we do have requirements. They require that of the 
vendor.

MEMBER MILLER: Thank you very much.

ACTING CHAIRPERSON STOWERS: Thank you.

Just one quick question: I think I figured it out. But anyway, EDR2 is going to cover audit, filing 

enforcement, and underpayment.

MR. OROZCO: Yes.

MS. ROUSSEL: Underpayment.

ACTING CHAIRPERSON STOWERS: That is accounts 

receivable?
MR. OROZCO: Correct.

ACTING CHAIRPERSON STOWERS: Okay. I haven't heard that term before.

MR. OROZCO: It is a term that we use at FTB internally.

ACTING CHAIRPERSON STOWERS: Okay. Thank you both Jose and Jenn. Appreciate it.

MR. OROZCO: Thank you.

ACTING CHAIRPERSON STOWERS: Our next item is Item number 9, a PowerPoint presentation on Individual Healthcare Mandate and Subsidy Program presented by Scott Reid and Marlene White. This is an informational item.

MR. REID: Good afternoon, Madam Chair and honorable Board members. My name is Scott Reid, and I'm with the Finance and Executive Services Division. And I'm joined today by Marlene White from our Technology Services Division.

We're both here to share with you some information about a new individual healthcare mandate and subsidy program that FTB was charged with helping to administer, as part of the recently enacted state budget.

In an effort to help reduce the number of Californians living without adequate health coverage,
the Governor and the Legislature recently adopted provisions that require certain California residents and their dependents to obtain minimal essential healthcare coverage throughout the year. If those individuals do not secure healthcare coverage, they would be subject to a financial penalty when they file their annual tax return.

And to make insurance more affordable for those low- and moderate-income residents needing coverage, an expanded premium assistance program will be administered by the California Health Benefits Exchange Program, or as they are commonly referred to as Covered California.

Today I will be covering with you some of the key program elements of both the coverage mandate and the premium assistance program, as well as FTB's role under both of those. Marlene will then discuss our progress to date and some of the next steps as we move closer to implementation in 2021.

First let me share a little bit about the health insurance mandate and related penalty. This is modeled closely after the federal Affordable Care Act and the new law requires certain individuals and their dependents to maintain health insurance coverage beginning January 1st, 2020. Generally speaking, if a taxpayer fails to secure coverage, they will be subject
to a penalty of up to $695 per adult and up to half that per minor dependent when they file their 2020 tax return in 2021. But for some high income earners, these penalties could be even more.

In addition, beyond the individual requirement, there will be requirements from health insurers and others to send information to FTB annually so that we can validate insurance coverage of those individuals.

The second part of the program is an expanded subsidy program administered by Covered California. It will offer premium assistance to families earning at or below 600 percent of the federal poverty level. The subsidy will be initially determined based on the taxpayer's estimated income for the year but after they file their tax return in the next calendar year, they will have to report their actual income and reconcile whether they received too much of a subsidy or not enough. If they received too much, they will make a payment to FTB. However, if they didn't receive enough, FTB will send them the difference.

The second part of the program, the subsidy program, is expected to sunset in December of 2022.

While I mentioned, at a very high level, the role that FTB will have under this program -- mainly administering and collecting health mandate penalty and
reconciling the proper amount of healthcare subsidy during tax filing -- there's a lot of work FTB needs to do in order to be prepared for accepting returns in 2021. A few of those items are establishing data sharing agreements with the health insurers and others, so that we have the data we need to validate that the taxpayer had insurance coverage.

In addition, we will be developing instructions and forms so that taxpayers can calculate any penalties that are owed and be able to reconcile their health premium subsidy if they enrolled in a plan administered by Covered California.

In addition, we'll be establishing validation rules into our return processing system to aid in the compliance and enforcement effort. And ensuring that we have the ability to capture data for mandated reporting under the program will also be necessary.

So now I would like to turn it over to Marlene to discuss what FTB's done so far and talk about some of our next steps. Marlene.

MS. WHITE: Thanks, Scott.

Okay. So far, we have created a core project team made up of business and IT staff to design, build, and implement a solution leveraging our current systems and processes with the focus on the customer experience.
This team will continue to work very closely with our partners at Covered California to ensure we create a seamless process for customers to gain access to healthcare and meet their reporting obligations.

To date, we have completed our procurement processes to obtain vendor services to augment our IT team and are finalizing the project plan and schedule so that we are able to receive and process the 2020 tax year returns.

Our next steps include planning for the regulatory process with the ambitious goal of having regulations published in the fall of 2020, before the first tax returns are due in 2021, and to develop a comprehensive outreach and communication plan.

The first items in our outreach plan include a web page on FTB.ca.gov with basic information about the mandate with a link pointing to Covered California. We will be doing a joint news release with Covered California, urging Californians to get qualified health coverage in the 2020 year and will be beginning a social media campaign with #GetReady.

And on November 14th, we are facilitating a stakeholder meeting to solicit direct input.

And, finally, we are feverishly working on the system design and phasing strategy in order to implement
our role in administering the healthcare mandate program.

We are leveraging our crawl-walk-run methodology, as you heard Jose just reference, to deliver functionality in steps that build upon each other to manage risk and facilitate project success.

Scott and I would like to thank you for your time today, and this concludes our presentation. We would be happy to answer any questions.

ACTING CHAIRPERSON STOWERS: Thank you.

Members, any questions?

MEMBER COHEN: I do have a quick question about outreach. What's the outreach strategy to let people know that if they don't comply, penalties will ensue?

MS. WHITE: So we're working closely with Covered California, as I described. I think, for this first year, we're really depending on Covered California, working with them, to get the word out that people get coverage and that the subsidies are available. So, again, we're working with -- we have on our website the joint press release and then really relying heavily on social media to get the word out.

MEMBER COHEN: So when you say you're working with Covered California, what exactly does that look like? It means you have a conversation? Do you have a
contract? Do you have an MOU? Do you have -- like, what -- what does it look like?

MS. WHITE: We're looking at this as a partnership with Covered California. They are taking the lead on the actual program and we're there to provide support. Our role is really with the penalty administration and doing the subsidy reconciliation. So whatever we can do to support them to get the outreach so people are ready.

MEMBER COHEN: So when you say "support," meaning that you would supply the content? Because Covered California did a phenomenal job covering California; they were everywhere. And I just want to know, is that what I can expect to see moving forward?

MR. REID: So we're -- we're actually in regular discussions with Covered California. We have got work groups that are working together, our team and their team. Right now, we're meeting almost weekly to hammer out, you know, some of those issues. At this point, we're really looking at it as a partnership, us leveraging our opportunities, to, let's say, you know, work with tax preparers, their opportunities to work with their community partners, in addition to the normal, you know, public affairs press release, social media-type campaigns. So we're really looking to
leverage all of our resources to make that information available to Californians.

MEMBER COHEN: So when you talk about resources, are you making a monetary contribution to Covered California to help with that? Because the outreach was just extensive. I mean, you had people coordinating up and down the state, multiple languages at farmers markets, at, you know, rallies, you know, concerts. I mean, they were really out there working. So --

MR. REID: So Covered California, I believe, was allocated or, as part of their budget, is an outreach and communication plan. We were not funded specifically for that. But we're leveraging our existing infrastructure and helping in any way that we can to get the word out.

MEMBER COHEN: Do you anticipate needing any more funding or coming back to us to ask for some kind of an allocation to further your efforts with Covered California?

MR. REID: At this time, we haven't identified any -- any shortcomings or any gaps that would need to be identified, but if we do, we won't hesitate to come forward and ask.

MEMBER COHEN: Thank you.

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

Thank you. So it sounds like our public affairs team is going to be very busy. Maybe we should pull back Michelle's retirement.

MR. REID: Hear, hear.

ACTING CHAIRPERSON STOWERS: Thank you very much, Marlene and Scott.

Members, Item number 10 is a PowerPoint presentation. FTB Website Redesign presented by Michelle Fallon and Mike Meehan. Thank you.

MS. FALLON: Good afternoon.

Mike and I really appreciate the opportunity to give you a brief overview of FTB's new website and some of the highlights and challenges we had on the two-year adventure that brought us to the June launch of our new redesigned site. You know, FTB's website is our primary communication channel with more than 18 million visits every year. It includes self-service tools and also kinds of information that taxpayers can access and use in hours that are convenient for them. The usefulness of this tool has a huge impact on compliance, and that fact is always foremost in our minds whenever we embark on an exercise such as this.

So understanding that important link to compliance, we spent some time crafting a vision that we
felt would better serve all taxpayers. We started with the usual suspects, which is plain language and, of course, we wanted to switch to the new state templates. Then we started talking about how to improve navigation. And I'm not going to lie, that one was a little bit more meaty.

First, we wanted to reorganize our website by task, as opposed to taxpayer type. And if you think about it this way, it really -- if you are trying to make a payment on our website, it doesn't matter if you are an individual or a corporation. The process is the same, so we might as well organize our website that way.

Next, we understood that to make any meaningful improvement to navigation, we need to make some strategic decisions about the amount of content we would leave on our website.

And in order to do that, we took a look at some web analytics and discovered that 95 percent of the people who were coming to our site were looking for the same 3 percent of content. The other 97 percent of content was things that most people didn't need or didn't look at, at all.

Now, that doesn't mean that no one missed the information we took off of our website, but more about that in a minute.
Finally, getting back to our vision, we wanted to make sure that the website was inclusive for everyone. Now, I know you are all familiar with AB 434, which requires all State agencies to certify on their home page that they are accessible compliant. While AB 434 honestly wasn't the reason we started this redesign, it absolutely measured our scope or kind of honed in our scope as well as our project timeline.

MR. MEEHAN: Once we had a solid vision, we mapped out a planning process that began nearly two years ago. That process included action items from three main working teams. Our first team, the redesign team, was responsible for the monumental task of reducing our website to 3 percent of its former self. We accomplished this by facilitating 85 co-creation workshops with subject matter experts from every major program area here at FTB.

A co-creation workshop refers to a customer experience, or CX best practice, in which we work with each individual area of the enterprise to reimagine the web content that they represent which would ultimately remain on the site. The redesign team uses the information to literally build the site from the ground up.

And while they were building, we had another team
creating an offline repository, which, in the simplest of terms, is an exact copy of our old website as it existed on June 18th. This repository is now located offline, in our intranet. We knew that there would be documents in this repository that some customers may still need to access.

And that leads me to the third team that created an online request process to facilitate that need.

At the top of any search result are the links you see on the screen. The "contact us" link takes users to a fillable online form where they can let us know what they need. We process those requests by retrieving the information from our repository and e-mailing it back to the customer. We're tracking those documents now and using the data to help make decisions regarding what should be added back to our online environment.

In relating this back to the picture we showed you earlier, the three working teams each had major responsibility that went into building that new website.

MS. FALLON: Next, we would like to tell you a little bit about our communication plan because we had the monumental task of not only rolling this change out to our 18 million customers, but also to our more than 6,000 employees.

We used just about every communication channel we
could think of. It amounted to several pages of an Excel spreadsheet plan, as you see up there, and I can tell you that if someone didn't know this thing was coming, it wasn't for lack of trying, because we went everywhere.

So now I would like to show you one of the products from that plan. It's a short video that was actually filmed right here in this auditorium.

(Video presentation.)

MS. FALLON: So I would just like to go on record here to tell you that Mike and I actually auditioned for this video. I don't know who these guys are.

MR. MEEHAN: I think they work for you.

MS. FALLON: Well, we were really denied for no good reason.

MR. MEEHAN: They said we weren't cool enough.

MS. FALLON: How could that be?

MR. MEEHAN: Moving on.

MS. FALLON: Moving on.

MR. MEEHAN: We put a lot of thought into how we would execute the launch of our site. About three weeks before go live date, we made the new site available in a staging environment for our employees to explore and provide feedback through an online link.

With the help of our employees, we were able to
identify and resolve some errors, such as navigation fails or missing links before going public.

We decided to launch the site on a Saturday, June 22nd, to minimize the impact to our customers and FTB operations. We had a big crew who essentially gave up their Saturday to experience the culmination of months of hard work. We were all well fed and in high spirits. The site launched ahead of schedule with minimal challenges.

MS. FALLON: Immediately after our launch, we went into what we consider or call early life support. It's actually a practice we implemented when -- any time we launch a major project. It's kind of like an all-hands-on-deck, kind of, posture, during which we carefully monitor the implementation of the new project to make sure that we're catching any unforeseen issues or unexpected problems that pop up. And to help identify those problems, we implemented a feedback link on the top of every one of our web pages so that taxpayers could let us know right away if something wasn't working well.

And I'm not going to lie. We had a few challenges. Some were expected and some not so much. One challenge had to do with how external search engines, such as Google and Bing, interacted with our
website. We knew this was going to be an issue early on, so we actually called some of the big companies right when we launched and we asked them to re-crawl our site, and that just means to reestablish links from the cloud to our FTB website.

Regardless of our best efforts, though, a lot of people who use those external search engines had a hard time finding what they were looking for in terms of finding it on ftb.ca.gov. But, fortunately, the problem was very short lived, and, by the third day, it was pretty much cleared up.

The second early challenge is something that's going to take a little bit more consideration and planning to address. It's a problem identified by stakeholders who actually use our website, kind of like an Encyclopedia Britannica, such as other tax research firms. Now, while they can always go to use our request process to find information that's no longer there, they really need, like, a title or just a short description of the document or an old URL, if they have it bookmarked. But as these stakeholders pointed out to us, they don't always know what they are looking for. They like to kind of hunt around and see what's there.

We are, right now, in the process of gathering information to see what content we should consider
adding back to the online environment, and that -- those
priorities will be addressed within the context of
available resources.

MR. MEEHAN: Not all of the feedback came from
people who were dissatisfied with the change. We were
actually pleasantly surprised to find an increasing
number of positive comments as the post launch weeks
went by. By week five, nearly half of the feedback
comments were positive and included statements like,
"This website is cleanly laid out"; "Especially useful
on mobile devices"; "Thanks for keeping it organized."

MS. FALLON: For most of our customers, the
redesign of our site was a success. As we do with other
projects, our sponsor teams took a look -- or took the
time to consider lessons learned. Now, we have already
shared with you some of our challenges earlier in the
presentation, but we thought we would end today with
just talking about three key factors that we felt really
contributed to the success of this launch.

First, without question is our executive
management team. There is no way we could have
accomplished this without their support and direction.
It was painful, wasn't it, Selvi? She's still in
therapy.

(Laughter)
MS. FALLON: They were literally with us every step of the way, and I have to say that a very close second was the engagement level of every single program area that we work with. Remember those 85 workshops we talked about? They all came to the table ready to make some very difficult decisions about the content that was going to remain on our site.

And, finally, we have to say, that noting the moments that matter, those little celebrations, the little successes along the way really helped us get through what would have otherwise been a pretty grueling project, from the popcorn and chocolate of those 85 workshops, to the excitement of that Saturday launch, to the celebration cake that formally acknowledged the successful redesign. These are the moments that remind us we can accomplish great things that encourage us to take on future monumental tasks.

MR. MEEHAN: Says the one retiring in six weeks.

MS. FALLON: Well played, Mr. Meehan.

Finally, we want you to know that we have always been very mindful that one of the board's priorities is to provide excellent services to Californians. And I am hopeful that, through this effort, we've demonstrated to you our commitment to that very same priority.

Thank you very much.
ACTING CHAIRPERSON STOWERS: Thank you.

Questions, Ms. Miller? Ms. Cohen?

MEMBER MILLER: Huge congratulations.

ACTING CHAIRPERSON STOWERS: Very nice site. I was just kind of flipping through it on my phone while you guys were doing your presentation and everything popped up just fine. Good. Even all the attachments to the pad was there. And I even took a look at the legal bulletins. All your stuff is there, Jozel. It's very important. So congratulations on a very nice web design.

MS. FALLON: Thank you very much.

MEMBER COHEN: I do have a quick question. It's funny, because after your presentation, I actually wanted to applaud. I had to restrain myself and realize --

(Applause)

MEMBER COHEN: I am wondering -- I wanted to know, is there any chance about, as we go forward and move into the future, that more information will become available to the public?

MS. FALLON: Yeah. Absolutely. And that's kind of what we talked about. We're -- we're -- we've met with our advisory board. We plan on reaching out to CSEA, CalCPA. We are getting -- we have quite a few
feedback channels, and we are just kind of compiling that information right now, so that in January, we can look at it holistically and see what resources we have to dedicate to that and what would be our top priority items to add back to the website.

MEMBER COHEN: Yes. Because I know, you know, tax practitioners, academics, nonprofit folks, we spoke about this in the briefing. They used that information and -- but if I'm not mistaken, I also heard that it's archived somewhere else, and you can make a request to get the information sent to you, so all is not lost. We just have to be a little bit more of a supersleuth to get to the bottom of it.

MS. FALLON: You are absolutely right, Malia.

MEMBER COHEN: That's good. Thank you.

ACTING CHAIRPERSON STOWERS: Thank you.

All right, Members. Our next item is Item 11. Executive Officer's time.

EXECUTIVE OFFICER STANISLAUS: I have nothing to report, Madam Chair.

ACTING CHAIRPERSON STOWERS: Thank you, Ms. Stanislaus.

We have already done members' time. But if -- Members, any more comments?

MEMBER COHEN: I have none.
ACTING CHAIRPERSON STOWERS: Okay then. We are adjourned.

(Proceedings concluded at 3:00 p.m.)

---o0o---
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 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 26th day of September 2019.

/s/ Kathryn S. Swank  
KATHRYN S. SWANK, CSR  
Certified Shorthand Reporter  
License No. 13061