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APPEARANCES

BOARD MEMBERS

BETTY YEE
State Controller
(Chairperson of the Board)

ANTHONY EPOLITE
Deputy State Controller

MALIA COHEN
Chairperson
Board of Equalization

GAYLE MILLER
Representative for Keely Bosler, Director
Department of Finance

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STAFF

SELVI STANISLAUS
Executive Director

CRISTINA RUBALCAVA
Board Liaison

JOZEL L. BRUNETT
Chief Counsel

SHANE HOFELING
Deputy Chief Counsel

ELAINE ABDALLAH

MICHAEL BANUELOS

BILL GARDNER

DELISHEE MACEDO

CANDIE MALONE

ROSITA MINDERMANN

MICHELLE SMITH
APPEARANCES CONTINUED

PUBLIC PARTICIPANTS

FRANK CURCURO
DENISE MELLOR
YVETTE STOWERS

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CHAIRPERSON YEE: Good afternoon. The hour of 1:32 now having arrived, we will now convene this matter of the Franchise Tax Board.

Let me ask the Board Liaison to please call the roll to determine if a quorum is present.

MS. RUBALCAVA: Member Cohen.
MEMBER COHEN: Present.
MS. RUBALCAVA: Member Miller.
(No response.)
CHAIRPERSON YEE: I think she will be joining momentarily.
MS. RUBALCAVA: And Chair-Controller Betty T. Yee.
CHAIRPERSON YEE: Here.
Thank you.
MS. RUBALCAVA: You are welcome.
CHAIRPERSON YEE: At least two members who are personally present, there is a quorum, and the Franchise Tax Board is now in session.
If you are able, please stand and join me in the Pledge of Allegiance.
(Pledge of Allegiance was recited in unison.)
CHAIRPERSON YEE: Thank you.

Good afternoon to everyone, and it's really wonderful to see everyone in person who is joining here -- us here in the auditorium, and we do have others who are joining virtually as well.

Welcome to the Franchise Tax Board's meeting.

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

For today's meeting, members of the public who wish to comment via teleconference may call (844) 291-4185 -- again, (844) 291-4185 -- and enter the access code of 6598443. Again, access code 6598443.

Please be aware that there is a short delay between the Web livestream and the live event. And if there are any members of the public wishing to speak on an item and you are using a translator or a translator service, you will have six minutes to address the Board. All speakers will be asked to identify yourself for the record.

So let me just welcome Member Cohen; and to our Executive Officer Selvi Stanislaus; and our Chief Counsel Jozel Brunett; and Shane Hofeling, our Deputy
Chief Counsel. Welcome.

I'm just so excited that we're here in person. Kind of giddy, actually.

So, Members, we will take up the first item, Member Cohen, and that is the approval of the minutes of the March 22nd, 2022, Board meeting.

Any comments or questions on that?

MEMBER COHEN: No comments. No questions.

Make a motion.

CHAIRPERSON YEE: Okay. Very well.

Motion by Member Cohen to approve the minutes from the March 22nd, 2022, Board meeting.

I will second that motion.

Let me see if there are any members of the public who wish to speak on this item or on the teleconference line.

We will take the members of the public on the phone line and then call on any members of the public in person here in the auditorium.

PHONE MODERATOR: Members of the public on the phone lines, if you would like to place yourself in the queue for public comment, as a reminder, you may press 1, then 0, at this time.

(No response.)

PHONE MODERATOR: No members of the public are
queuing up at this time.

Please continue.

CHAIRPERSON YEE: Okay. And then seeing no members of the public here in person wishing to address us on this item, let me ask for a roll call.

So let me welcome Member Miller to our meeting this afternoon. Good afternoon.

MEMBER MILLER: Good afternoon.

CHAIRPERSON YEE: We are on Item 1, which is the approval of the minutes from the March 22nd, 2022, meeting.

MEMBER MILLER: Move approval.

CHAIRPERSON YEE: Okay. We have a motion by Member Cohen, and I have seconded that motion; so we are ready for roll call.

MS. RUBALCAVA: Member Cohen?

MEMBER COHEN: Aye.

MS. RUBALCAVA: Member Miller?

MEMBER MILLER: Aye.

MS. RUBALCAVA: And Chair-Controller Betty T. Yee?

CHAIRPERSON YEE: Here. I mean -- here.

Aye.

Thank you.

All right. That motion carries.
And we will now move on to Item Number 2. And this is the presentation of the 2021 awards. And we have Candie Malone who will be presenting this item.

MS. MALONE: All right. Good afternoon, Madam Chair, and Board Members.

My name is Candie Malone. I'm the Business and Human Resources Bureau Director and the Co-chair of the Franchise Tax Board's Organizational Development Action Committee.

One of the most rewarding programs we manage in this Bureau is employee recognition. FTB understands that regardless of what's happening around us, we must recognize those who go the extra mile to deliver excellent products and services to our Department and the citizens of California.

While FTB has informal recognition programs throughout the year, like giving kudos or a postcard to a teammate or others that went above and beyond, I am here to talk about four of our formal Employee and Supervisor Recognition programs that celebrate those who bring their best.

The Superior and Sustained Superior Accomplishment Awards recognize individuals and teams who make significant contributions to state government through exceptional job performance. The Supervisory...
Bonus Award recognizes supervisors who demonstrate outstanding job performance and leadership.

The Large Team Award recognizes the accomplishments of large teams and project members and their contributions to the Department's mission, goals, and values.

In addition to contributing to the Department's mission, goals, and values, the upcoming awards I will be sharing with you support our Strategic Plan.

FTB's Strategic Plan presents our four goals as well as affirms a set of principles that provide the foundation on how we conduct business. These principles support our mission and guide our work as we achieve our goals and implement our strategies to serve the State of California with continued excellence.

The individuals and teams you will see through the following slides have directly contributed to that excellence. They showed up, participated, and led FTB to success, even as the world around them struggled with change and adapting to an evolving landscape.

Without further ado, I present the recipients of the 2021 awards.

(Video presentation.)

MS. MALONE: This concludes our presentation today. Thank you, again, for allowing us to share our
accomplishments.

At this time we will be happy to answer any questions you may have.

CHAIRPERSON YEE: Thank you, Candie, for the presentation.

I understand that we have some of our award recipients today in the auditorium audience, and I would like to ask that you please stand so that we may recognize you and thank you.

(Applause.)

CHAIRPERSON YEE: And we have many more who are joining us virtually, but let me just first say a huge thank you. I mean, this is the reason why this organization continues to be one of the most well regarded in State service. And for the exceptional service during some very challenging circumstances, not missing a beat, and always just having the mission at top of mind.

I can't thank you enough for the continued hard work and dedication to make just everything we do here in the Franchise Tax Board so successful. But, more importantly, to serve during a time when many Californians are really in need of that service.

So thank you very, very much.

Let me ask my colleagues if there are any
MEMBER MILLER: It -- that was really phenomenal to see so many folks -- it was really phenomenal to see so many folks and all of the accomplishments. And I do think -- and I say this every time at these Board meetings -- but I think that the efforts and the success and the way in which you work, I think, you just -- it's like being a teacher, right? You never know the long-term effects and the legacy you leave.

So please know that we see you and we notice you and are incredibly grateful for your service. And I stand with you that these were a really challenging two years, but I think your level of commitment and how much better you have made the State of California is really, really noticed. And we're deeply grateful.

So thank you to each of you, and thank you for the beautiful slideshow as well.

CHAIRPERSON YEE: Thank you, Member Miller.

Member Cohen?

MEMBER COHEN: Thank you, Madam Chair.

Good afternoon, ladies and gentlemen. It's nice to be back with you and back serving with -- on the Franchise Tax Board.

My name is Malia Cohen, and I am just reminded that on the FTB website is the model that says

KATHRYN S. SWANK, CSR  (916) 390-7731
"California counts on all of us." And I feel like this was a pictorial representation of exactly that motto. It's the physical manifestation of those words. They sometimes may seem flat on a screen but have actually been brought to life by the team of folks that we are acknowledging today.

So I applaud you. Thank you for your service.

CHAIRPERSON YEE: Thank you, Member Cohen.

Let me turn now to see if there are any members of the public who wish to speak on this item in person or on the teleconference line.

And we'll first take the members of the public on the phone line and then call on any member of the public here in person in the auditorium.

PHONE MODERATOR: Members of the public on the phone lines, if you would like to place yourself in the queue for public comment, as a reminder, you may press 1, then 0, at this time.

(No response.)

PHONE MODERATOR: No members of the public are queuing up at this time.

Please continue.

CHAIRPERSON YEE: Thank you very much.

And seeing no members of the public coming before us on this item in the auditorium, again, I think this
deserves another round of applause. Just really, really spectacular work.

Thank you.

(Appplause.)

CHAIRPERSON YEE: Thank you, Members.

Thank you, Candie.

Our next item, Members, is Item Number 3. And this is a presentation of the Filing Season and an update.

We have Elaine Abdallah and Susan Marcale presenting, and this is an informational item.

Good afternoon.

MS. ABDALLAH: Good afternoon. Good afternoon, Madam Chair, and Board Members. My name is Elaine Abdallah, and I'm the Director of the Filing Methods and Budget Bureau in the Filing Division.

Today I'm with Susan Marcale from our Accounts Receivable Management Division to share information about the 2022 Filing Season.

Let me set the stage with a short introduction.

For the last two years, the Franchise Tax Board learned how to tackle the filing season with social distancing and remote working solutions for our staff. This year, those arrangements were just part of our normal operations. But unlike the last two years, the filing
due date remained as planned, which was April 18th. However, we informed the public that tax payments could be received through April 19th and be considered timely.

The reason for this was because we had a slight challenge emerge on April 18th with the service disruption to our Web Pay application. We rose to the occasion and corrected the problem quickly.

Having this type of challenge on the last day to timely pay taxes and postponing the due date by 24 hours is an example of how well FTB lives up to its mission to help our customers.

For today's update, we will focus on the improvements and enhancements we made for the 2022 tax-filing experience. Our major points include improvements we implemented to our essential services that brought changes for both customers and staff, review our planning efforts that helped us achieve a successful filing season, and present our significant achievements.

I will start off with our top improvements for our customers. First, we enhanced our MyFTB account registration process. The MyFTB application gives individuals, business representatives, and tax professionals, online account access to tax account information and various online services, such as the
ability to securely chat with a customer service representative, file a power of attorney, or protest a Notice of Proposed Assessment.

This application was introduced as part of our first phase of the Enterprise Data to Revenue Project and has grown to a million users in the past six years.

Beginning in February 2022, individuals and tax professionals could register for a MyFTB account in real time if they choose. An account is created in a few minutes after answering a set of personal questions verified by a third-party credit agency.

This enhancement alleviated the waiting period for a Personal Identification Number to be received in the mail.

In just a few short months, we had over 70,000 new MyFTB accounts established, which is a record-setting pace.

This enhancement was based on feedback from our customers, and we are proud to now provide a registration process that meets their needs.

For our second top improvement, we created the Form 3893, the Pass-Through Entity Elective Tax Payment voucher, and updated our Web Pay application to accommodate the electronic payment of the new Pass-Through Entity Elective tax. This tax can be paid
by certain partnerships, limited liability companies, and S Corporations.

This enhancement was implemented in November 2021, in time for these business entities to submit payments before the end of the calendar year.

And, third, on our public website, we expanded our public Customer Service Wait Times Dashboard. This dashboard allows our customers to view wait times for our phone lines and chat services. We listed additional phone numbers and chat services specifically for taxpayers and businesses in the collection process.

Now, these customers can easily see where to call and when is the best time. And, lastly, I want to let you know about an enhancement we did for processing our paper documents received by mail.

We have replaced six of our nine high-speed scanners so far, which have been in use since 2003. These new high-speed scanners increase the speed and accuracy at which we capture taxpayer returns, payments, and correspondence for internal and external customers.

We have had many more enhancements that made this a successful Filing Season, in addition to the planning efforts that will be covered next. I would like to acknowledge that our dedication to teamwork made it all possible. You have heard us say before that we are "One
FTB." It is truly an enterprise effort to prepare us for a new tax year. A significant amount of preparation occurs in advance of opening Filing Season in January, and almost every area of our organization plays a role.

I'm going to turn over the presentation to Susan Marcale, and she will explain our planning efforts and present our achievements.

MS. MARCALE: Thank you, Elaine.

Good afternoon, Madam Chair, and esteemed Board Members. Thank you for allowing us the opportunity to present this update to you today.

My name is Susan Marcale, and I am an Assistant Bureau Director in the Accounts Receivable Management Division.

A tremendous amount of planning and coordination goes into a well-orchestrated Filing Season. I would like to take a few moments to share our Filing Season preplanning accomplishments.

I will start off with our efforts for our customers. To ensure our customers have the information they need for Filing Season, we created tax forms and related instructions for the new tax year. We published these documents in an accessible format on the FTB public website. We also updated many self-service Web applications for our customers, including the Earned
Income Tax Credit (EITC) calculator, Check My Refund and CalFile apps, and our Customer Service Wait Time Dashboard.

Turning to our operations, we updated our internal systems to efficiently process tax returns and issue refunds for the new tax year.

Additionally, we coordinated updates and enhancements with the tax software providers for our e-filing systems process.

To ensure the success of our operations, we hired and onboarded hundreds of new team members to assist with the influx of work we received during Filing Season.

Next, I will take a few minutes to share some overall highlights of what we accomplished.

First is our website and self-service tools. At FTB, we continue to take every opportunity to promote and improve upon self-service tools, including accessible and easy-to-understand information on the Web. This includes our MyFTB and online payments options to name a few.

As a result, taxpayers successfully visited our website 13.7 million times; Web Pay had 1.5 million visits; Check your Refund app, 3 million views; MyFTB, 2 million accesses, which is up from 1.5 million
accesses last year; and tax forms had 615,000 visits.

Now I will be sharing some outstanding return processing highlights.

FTB continued to see an increased use of our electronic filing options as taxpayers filed by the April due date. 16.3 million personal income tax returns were filed. 95 percent of them were filed electronically.

10.7 million refunds were issued. 85 percent issued by direct deposit.

6.9 million tax payments were received. 64 percent were received electronically compared to 56 percent last year.

Now I would like to share some of the fantastic highlights from our contact center.

As an essential service to our customer, our contact center provides an exceptional customer experience. We have self-service channels available for our customers who choose not to engage with our self-service options. These include direct phone numbers, a virtual callback option, and in-office appointments. First, I would like to share the notable results from our contact center.

We answered 274,000 phone calls, and our level of access was 47 percent for the filing season.
For chats, 60,000 were answered.

Our average wait time was 15 minutes for phones and 10 minutes for chat.

During the week of April 11th through April 15th, our customer service level -- customer service line level of access was 58 percent, while our Tax Practitioner Hotline had a 74 percent level of access.

Next, I will be addressing the public counters.

Our public counters played a vital role in our operations, and they also had successes this year. Now I would like to share those accomplishments:

On Filing Day, our public counters assisted over 560 customers and have expertly assisted over 40,000 customers for this fiscal year.

Back on March 16th, 2021, QLess, an automated solution, was deployed, allowing customers to schedule an appointment through the FTB public website or with the aid of a contact center agent. We continued to serve customers by appointment throughout our offices statewide using this tool and other options. We have found this provided an improved customer experience and minimized wait times. We are proud to say that we have maintained a 94 percent approval rating from our public counter customers.

These are some actual customer comments during
Filing Season:

"Great customer service, we need much more -- we need more people like this in State Government – thank you so much."

"Fast and courteous service – friendly people."

Now I will be moving on to programs benefiting California.

As we progressed with Filing Season, we focused on items that significantly assisted taxpayers. These included the following programs:

Volunteer Income Tax Assistance (VITA). The VITA program continued to operate and serve taxpayers in their communities. Volunteer tax preparers help taxpayers file federal and state returns and receive all the benefits they are eligible for.

I would like to share some highlights from the VITA program:

VITA staff trained over 2,000 volunteers and site coordinators, which included 70 FTB employees. 12 of these individuals were first-time volunteers.

Volunteers participated in over a hundred in-person drop-off and virtual events. These volunteers also prepared 4,000 federal and state tax returns for FTB family and friends.

Moving on to our next program, the California
Earned Income Tax Credit, or CalEITC, provides a tax credit for those earning 30,000 or less per year. We had over 3 million returns filed this year claiming EITC -- CalEITC, with 327,000 also qualifying for the Young Child Tax Credit.

CalFile is another important application that provides a free filing option for the California tax return. This year, 110,000 returns were filed via CalFile.

As we close another successful Filing Season, we are slowly seeing our world begin to normalize after two years of continuous change from the pandemic.

More of our FTB team members are starting to return to the office to once again continue with our FTB culture of collaboration to best assist and support the taxpayers of California. We are grateful to our dedicated team members. They have balanced the pandemic's challenges in their personal lives while staying focused on the important tasks here at the Franchise Tax Board.

We are "One FTB," and we are proudly here to serve the citizens of California.

On behalf of the Department, I would like to thank you for providing us the time to share what we have done and accomplished for the taxpayers of
California.

We appreciate your continued support and, at this time, we would be happy to answer any questions you may have.

CHAIRPERSON YEE: Great. Thank you both very much for the Filing Season update. Just a tremendous amount of work, but also so critical, as so many Californians were relying on the benefits.

Let me turn to my -- the Members here to see if there are any comments.

Member Cohen?

MEMBER COHEN: Yes. Thank you very much.

So let me begin by complimenting the Franchise Tax Board and all of the men and women that have participated in tax season. You are definitely doing an excellent job. It's obvious that your work is essential to making this very complex and essential agency work for all Californians.

I do have a couple of questions: Regarding Slide 9, the customer service accomplishments page, I noticed that the FTB staff answered 274,000 phone calls and that the, quote, "Level of Access was 47 percent."

Could you describe to me and tell me, what does "level of access" mean?

MS. ABDALLAH: Yes. I can answer that question
MEMBER COHEN: Thank you.

MS. ABDALLAH: So "level of access" is the comparison of the phone calls we answered to total calls we received.

MEMBER COHEN: Say that again and a little bit louder.

MS. ABDALLAH: Sorry. It's the total of -- it's the relationship of total calls answered to the total calls received.

MEMBER COHEN: Thank you.

And then also on -- also on Slide 9, the customer service accomplishment page, I noted that in addition to the phone calls, 60 chats were answered and that the average wait time was 15 minutes for a phone call and 10 minutes for a chat.

And my question is whether there are ways to reduce that wait time for the customers?

MS. ABDALLAH: Thank you for that question. We're going to have to take that back to our experts and get a answer for you on that.

MEMBER COHEN: Yeah. Thank you.

And, again, there may be an answer or there may not be an answer. But I just wanted to know, as we continue to better our best, how we can reduce the --
that wait time.

Another question on Slide 14. This is related to the Young Child Credit.

I noted that of the 327,000 taxpayers qualifying, 110 returns were filed. And I also know that I think in the last -- we received a report at our last meeting on the possible ways to address this gap through -- through greater taxpayer outreach. Also through a participation by nonprofit agencies.

And so now my question is, is there a plan to pursue any of these suggestions to increase taxpayer participation in the Young Child Tax Credit by partnering with members of the Legislature to expand outreach?

MS. ABDALLAH: Oh, currently there's several proposals, I believe, on the table regarding EITC in the Legislature. Nothing has been finalized, but we are watching that language and waiting for any bills to be passed for us to take any action.

MEMBER COHEN: All right. Got it. Happy to help be a champion and push whatever bill you deem to be the strongest forward.

Madam Chair, back to you.

CHAIRPERSON YEE: Member Cohen, your question relates to not any new proposals but just with the
current program, what we're doing in terms involving the
Legislature and with outreach?

    MEMBER COHEN: Can you say that one more -- I
didn't hear the first part of what you said.

    CHAIRPERSON YEE: So I just want to be clear
about your question.

    It wasn't necessarily anything related to any new
proposals related to CalEITC, but with the current
program, how we're involving our partners like the
Legislature to do outreach to get more of an uptake --

    MEMBER COHEN: That's right.

    CHAIRPERSON YEE: -- right?

    Okay.

    And I think -- I think each of us, and certainly
this agency, has been providing a lot of information for
legislators to be able to do that on a regular basis,
and it's been well challenged, I think, during COVID, in
terms of not being able to see people in person, but --

    And then I know the -- the grants for our
community organizations through the Department of
Community Services and Development is still -- that
program is still active with regard to having some of
our partner organizations in the community also help
with the outreach. Although I've been asking for some
more robust metrics on that.
MEMBER COHEN: Thank you.

CHAIRPERSON YEE: Okay.

Member Miller, please.

MEMBER MILLER: Thank you. And thanks for that great presentation.

In terms of CalFile, so I think as the IRS makes some changes, hopefully we'll be able to make more changes, have more folks come in. And obviously, as you know, I'm very interested in auto population. I still think you did a great report on that. It's worth working on. And as we improve some of our efficacy around public service and whatever information we do have for taxpayers -- I know that is probably a little ways off.

But how did this year's CalFile numbers compare to previous years, and what are we doing to make sure that people and taxpayers know that there is a completely free, not kind of upselling option, on the FTB's website versus the IRS? Although the IRS is -- can do the right thing too. So that's exciting.

MS. ABDALLAH: CalFile numbers are up a little bit this year. So there are more users. And we advertised it through our marketing efforts and our website for use. But beyond that, there's not too much other marketing that we've been doing. And we're just
monitoring to wait -- make sure we have different improvements and different options in that system to make sure it's available for as many users as possible.

MEMBER MILLER: Great. Thank you.

If we could get just, I think, on the website, if some of the -- I was just thinking during your staff awards what amazing videos those were -- if it were possible on CalFile to do a really quick how-to video, see if you can post it on your other platforms too.

I think there's so much value in our CalFile system, and I would just love to see more people being able to take advantage of it, especially as we're going into some of those really big federal changes that, hopefully, the IRS will be able to execute as well. Something to think about.

CHAIRPERSON YEE: Great suggestion, Member Miller.

MEMBER MILLER: Thank you.

CHAIRPERSON YEE: And I really appreciate the presentation. And perhaps for the next one we can -- we have had enough experience now, and I am interested in terms of the experience we have just had as compared to kind of prepandemic years, and so maybe some trends coming forward about just how we're doing.

But really appreciate just kind of all of the
resourcefulness in terms of being sure that we are
still, you know, serving our taxpayers as best we can.

Okay. Thank you.

Let me just now turn and see if there are any
members of the public who wish to speak on this item in
person or on the teleconference line.

We'll took -- first take members of the public
who are on the phone line and then call on any member of
the public here in the auditorium.

PHONE MODERATOR: Members of the public on the
phone lines, if you would like to place yourself in the
queue for public comment, as a reminder, you may press
1, then 0, at this time.

(No response.)

PHONE MODERATOR: No members of the public are
queuing up at this time.

Please continue.

CHAIRPERSON YEE: Thank you very much.

And seeing no members of the public coming
forward here in the auditorium, I think that concludes
this item.

Thank you both very much for the wonderful
report, and really a kudos to the Franchise Tax Board
for just another really successful, successful season.

Thank you.
Okay, Members. Our next item will be a presentation, and it is a presentation on the future of work and looking at the California Franchise and Income Tax implications now that we have all had an experience about work -- what work may look like in the near term and maybe even over the long term.

I had asked the team to help us just take a look at what some of the tax implications may be as we see different arrangements of work being considered by workers as well as employers.

And so this item is informational and will be presented by Bill Gardner and Desiree Macedo.

Good afternoon.

MR. GARDNER: Good afternoon, Madam Chair, and Board Members.

My name is Bill Gardner. I'm the Deputy Chief Counsel of the Multistate and Business Entity Tax Bureau. And joining me is Desiree Macedo, Tax Counsel in the General Tax Law Bureau.

Today we are here to discuss some of the franchise and income tax implications of remote work. As noted in the title to this presentation, we're discussing the future of work, but more specifically we're discussing the evolving nature of how people work and how that may or may not result in changes to how
they or their employer are subject to income tax in California.

Our goal today is to explain general principles of how businesses and individuals are subjected to tax, how responses to the COVID pandemic impacted those general principles, and how evolving trends in remote employment are being addressed.

I will initially discuss how FTB responded to the emergence of COVID in early 2020. I will put -- then put those responses in context by discussing issues typically confronting employers when their employees telework from California.

And then Desiree will discuss the personal income tax consequences to individuals, both residents and nonresidents, who telework from California.

The emergence of COVID-19 in early 2020, and the public health responses to such, altered how some businesses conduct their affairs and how and where their employees worked.

Specifically, on March 19th, 2020, Governor Newsom issued Executive Order N-33-20 in response to the COVID-19 pandemic. This public health directive required residents to stay at home in order to prevent the spread of a virus.

As a result, many individuals living in
California, who ordinarily did not telework from their homes, began to do so. In some instances, the individuals living in California who were now teleworking from their homes were employed by businesses that previously had no connections with California. In other words, prior to the pandemic, they may have lived here, but they didn't work here. And with the stay-at-home order, they were now working here too.

Following the issue of the stay-at-home order, FTB staff released a list of FAQs, or Frequently Asked Questions, to provide guidance on the tax consequences related to compliance with the order. The FAQs were applicable only while the stay-at-home order was in effect.

Before discussing the specific FAQs, it would first help to understand how the -- what the general rules are regarding how and when a taxpayer is subjected to tax.

In general, if a business is "doing business" in California, either it or its owners will be subject to tax on California source income. The term "doing business" is a defined term.

If a business is organized or commercially domiciled in California, they are per se "doing business" in California. When they are not, they may
still be "doing business" in California, depending upon
their activity within the state.

One such activity which can result in meeting the
definition of "doing business" is payment of
compensation above certain thresholds.

A business may employ residents or nonresidents
of California. Thus, sometimes who they employ and how
they employ can impact whether the business is found to be "doing business" in California. It may also impact
whether the in-state activities of the business are
insulated from taxation by Public Law 86-272.

Public Law 86-272 is a federal law which shields
taxpayers from a net income tax of a state if the only
business activity of the taxpayer within the state
consists of the solicitation of orders for sales of
tangible personal property, which orders are to be sent
outside the state for acceptance or rejection; and then,
if accepted, are filled by shipment or delivery from a
point outside the state.

So if a teleworking employee's activities in
California are not related or ancillary to the
solicitation of sales, and are not de minimis nonsales
activities, the business may not be protected by Public
Law 86-272.

So within this context of "doing business" and
the federal protections of Public Law 86-272, we return
to our discussion of COVID-19 and FTB's responses to
such.

With the release of the stay-at-home order, some
cconcerns were raised by the public and addressed by FTB.
The concerns involved whether an employee teleworking
from California might alter whether a business was
"doing business" in California and also whether the
employee's activities in the state might impact the
business's protections under Public Law 86-272.

The FTB staff addressed these concerns by issuing
a number of FAQs including the following:

First, FTB would not consider compensation paid
to an employee teleworking in California pursuant to the
stay-at-home order for purposes of determining whether
the business was "doing business" in California.

And, second, the FTB would treat the presence of
an employee teleworking in California due to the
Governor's Executive Order as engaging in de minimis
activities for purposes of Public 80 -- Public Law
86-272 protection.

It is important to note that these responses were
in direct response to the Governor's stay-at-home order.
Thus, with the rescission of the stay-at-home order on
June 15th, 2021, FTB updated it -- its FAQs to note that
if a California-based employee continued to work from
home, the out-of-state corporation or business may meet
the definition of "doing business" in California because
of such work. And it may not be protected by Public Law
86-272, depending on the teleworking activities of the
employee.

Outside of the COVID environment, questions
continue to be asked about "doing business" and the
protections of Public Law 86-272.

Of note, the Multistate Tax Commission, or MTC,
revised its statement of information concerning Public
Law 86-272 in August of 2021. In this statement, the
MTC lists activities which exceed the protections of
Public Law 86-272, including:

Activities performed by an employee who
telemutes on a regular basis from within the state
unless the activities constitute the solicitation of
orders for sales of tangible personal property or are
entirely ancillary to such solicitation.

The statement also addressed various other
activities conducted over the Internet and identified
some activities which exceeded the protections of Public
Law 86-272 and some which did not.

Earlier this year, FTB's legal staff issued a
Technical Advice Memorandum, or TAM, similarly
addressing such activities. The TAM reflects the staff's concurrence with the positions taken by the MTC.

Now I will hand the discussion over to Desiree, who will discuss issues related to personal income taxpayers.

MS. MACEDO: Thank you, Bill.

Employees were also impacted by the stay-at-home order. FTB received questions related to residency, sourcing of income, and areas of relief for individuals who were working and living in multiple jurisdictions during the stay-at-home order.

To alleviate taxpayers' concerns, FTB provided FAQs to help individuals understand the tax implications.

I will first discuss the impact the stay-at-home order had on residency.

California's definition of "resident" includes:

1. Every individual who is in this state for other than a temporary or transitory purpose; and

2. Every individual domiciled in this state who is outside of the state for a temporary or transitory purpose.

The connections that a taxpayer maintains with this state when compared with other states are important indications of whether a person's presence in or absence
from California is temporary or transitory.

   California did not create a bright line rule for COVID-19.

   As such, the actions an individual took related to COVID-19 and Governor Newsom's Executive Order N-33-20 would be another factor when evaluating whether to file a California tax return.

   Therefore, an individual's actions based on the stay-at-home order may establish facts and circumstances that support a determination of whether the individual was inside of California for other than a temporary or transitory purpose or outside of California for a temporary or transitory purpose.

   The amount of weight that should be attributed to the individual's actions related to the stay-at-home order may vary depending on other factors.

   But the following five nonexhaustive factors might be relevant:

   1. When the individual entered California;

   2. Whether the individual remained in California throughout the period of March 19th, 2020, through June 15th, 2021;

   3. Whether the individual remained in California after the Governor lifted the stay-at-home order on June 15th, 2021; and, if so, for how long;
4. Whether the individual provided COVID-19-related services in the California; and
5. Whether the individual cared for an at-risk family member or friend.

To help illustrate this point, we have an example of an employee who worked outside of California during the stay-at-home order.

Employee A was a California resident prior to the stay-at-home order. Employee A worked remotely outside of California during the stay-at-home order. And while she was outside of California, Employee A continued to maintain all of her connections to California.

Since Employee A continued to retain all of her significant connections to California, she would continue to be a California resident, even if she was temporarily absent from the state.

As such, she would be taxed on her entire net income.

However, if Employee A was required to pay income tax to the state where she was located during the stay-at-home order, she might be able to claim the Other State Tax Credit for taxes paid to that other state. And I will discuss the Other State Tax Credit later on in the presentation.

In addition to residency, another issue was a
sourcing of wages. I will now discuss the impact COVID-19 had on the sourcing of income.

California sourcing rules remained the same during the period of the stay-at-home order as they were before the Executive Order and continued to remain the same after the stay-at-home order was revoked.

California nonresidents only pay tax on taxable income from a California source.

Income earned by California nonresidents based upon their working in California would likely come from three sources:

1. Wages from California employers;
2. Wages from out-of-state employers; and
3. Self-employment income for services where the customer receives benefit in California.

Employees, whether they work for California employers or out-of-state employers, have California-source income if they perform services in California.

If nonresident -- if a nonresident employee is employed continuously in California for a definite period of time, all compensation from that period would be sourced to California.

On the other hand, if a nonresident employee is working in California at intervals throughout the year,
their income would be determined using a work day ratio
or some other reasonable method.

To help illustrate this point, we have an example
of an employee who worked inside of California during
the stay-at-home order.

Employee B was domiciled outside of California
and was a California nonresident prior to the
stay-at-home order. But during the stay-at-home order,
Employee B worked inside of California.

Assuming Employee B was physically present in
California for more than nine months of the taxable
year, there's a presumption that Employee B is a
California resident.

However, if Employee B had been physically
present in California for less than nine months, there
would not be a presumption of nonresidency.

Employee B may rebut the presumption if he was
able to show that he was in California for a temporary
or transitory purpose.

Some of the factors that would be significant in
a residency determination would be:

1. Whether the Employee B was only physically
present in California when the stay-at-home order went
into effect;

2. If he followed safety guidelines;
3. If he stayed in temporary housing while in California; and

4. If he left California as soon as the stay-at-home order was lifted.

Even if Employee B was not considered a resident, he may have earned California-sourced income.

And as I previously stated, there is relief for taxpayers if they pay tax on the same income to another jurisdiction.

To limit double taxation, taxpayers may qualify for a credit for income taxes paid to another state when the same income that is taxed by the other state is also taxed by California.

In some instances, California may require the individual to claim this credit from the other state. Additionally, taxpayers may be entitled to relief through deductions and credits. Taxpayers may be entitled to itemized deductions when moving inside or outside of California for their job.

And although the 2017 Tax Cut and Jobs Act changed the rules for itemized deductions, job-related-expense deductions still exist for California taxpayers.

For example, moving expenses and the home office deduction are no longer deductible on the taxpayer's
federal return but are deductible on a taxpayer's California return.

And the following is a list of resources for more information on areas that impacted individuals during COVID-19.

To summarize, we discussed some of the franchise and income tax implications for remote work and how those implications differed during the COVID-19 pandemic.

Bill discussed the corporate tax issues, and I discussed the areas that impacted individuals during COVID-19.

This concludes our presentation.

Thank you very much for your time and allowing us to share this information with you. We would be happy to answer any questions you may have.

CHAIRPERSON YEE: Thank you both very much for that presentation. It was very, very informative.

Let me just ask our -- Member Miller or Member Cohen, any comments?

MEMBER COHEN: Oh, yes. Yes. That was very good and very informative.

So thank you for the presentation.

I think the one thing I take -- that I -- the takeaway that I take -- the one takeaway that I walk
away from is that this is a dynamic area. And the
recent data from 2022 helps to illustrate that there are
a lot of changes that have occurred since the beginning
of COVID-19. And there are recent press reports that
indicate that there -- that there is a 24 percent -- my
bad. Wrong section. I will save that for the next
item.

Get back to my notes.

Can you re-refer to me?

CHAIRPERSON YEE: Sure.

Member Miller, any comments?

MEMBER MILLER: No. Just to -- that it was -- it
is incredibly helpful to understand the laws. And,
also, I do think the -- just the examples are super
helpful just in terms of the requirements of where you
are and when you are here. And really just to express
gratitude on our strong residency laws.

You know, we -- we've worked through a lot of
that. Legal especially has worked through a huge amount
of that. And I -- you know, I will acknowledge Legal in
a couple of ways later, but I do think that the
consistency with which Legal and our entire teams have
implemented the residency laws in California, it is a --
it is indeed a privilege, as we say in our Tax Code, to
do business in this state, to live in this state, to
work in this state, and I just appreciate your implementation of those laws so effectively. And the ability that we have had, even during COVID-19, as there has been so much more remote work, to make sure that we understand what that looks like and that, in fact, that's a part of our tax system, and that's really how we keep the integrity of our state so precisely together.

And so I think just, again, extraordinary work and really helpful to understand how that worked because -- and thank you to the Chair for suggesting this, because it has worried me a lot, just because this was such a dynamic, changing time. So this was really helpful to understand how well this was being implemented.

So thank you for that.

CHAIRPERSON YEE: Thank you, Member Miller.

And then I echo that sentiment, that there's just really a strong foundation as it relates to the residency provisions of the tax law that have allowed us to be able to put the FAQs together and to really provide the proper responses to many of the inquiries that we've been getting. So much appreciated.

Member Cohen?

MEMBER COHEN: Yes. Thank you. I actually was
MEMBER COHEN: A couple of questions though: How did these new tax laws come about? How are they able to be, you know, flexible to accommodate the changes that are happening on the ground and in the work in the State of California? Can you walk me through that process?

MS. MACEDO: Well, I think, unlike other states, California did not create a bright line rule for residency; so it does allow flexibility because it's based on the facts and circumstances.

MEMBER COHEN: Thank you.

So there are -- there are reports that say that there is an office vacancy rate in San Francisco as high as 24 percent, and the office vacancy rate in Los Angeles is at 22 percent. In San Diego it's at 24 percent. And right here in Sacramento it's at 17 percent.

And I wanted to get your take on this phenomenon. What does this indicate about remote work?

Oh. I thought that was a soft one. I'm sorry. We got the Chief Deputy Counsel weighing in.

MR. HOFELING: No problem at all.

So I think it really does show that remote -- that things have changed, and remote work is common, and
is only going to become more and more part of our reality.

And as Desiree mentioned, the nice thing about California's residency laws, since it is a fact-and-circumstance test, it really gives us the flexibility to be dynamic with this.

And so we'll continue -- new facts come up, new types of working come up, and we bring that into the factors when we do these tests, to make sure that, when we are looking if somebody is a resident, that it really reflects the realities today.

MEMBER COHEN: Yeah. Thank you.

And I think, not only is this agency applying the law in a very fair and equitable way, but also even the work that you have done to keep the Franchise Tax Board meeting moving forward.

In the last meeting I was on, I was at home, and able to still -- to still -- to come in and be present and be a part of the conversations. And I think that this is just a great example of how we need to be flexible to accommodate people's work life, work-life balance, family commitments, as well as honoring our professional commitments.

Thank you for the presentation.

CHAIRPERSON YEE: Thank you, Member Cohen.
At this time, let me see if there are any members of the public who wish to address the Board on this item.

We will first take members of the public on the phone line and then call on any members of the public here in person.

PHONE MODERATOR: Members of the public on the phone lines, if you would like to place yourself in the queue for public comment, as a reminder, you may press 1, then 0, at this time.

(No response.)

PHONE MODERATOR: No members of the public are queuing up at this time.

Please continue.

CHAIRPERSON YEE: Thank you.

And seeing no members of the public approaching the podium, I believe that concludes this item.

Very much appreciate all this information being compiled and the responses that we've been able to provide to the public inquiries.

Thank you very much.

MEMBER COHEN: I actually -- I do have one question.

CHAIRPERSON YEE: Yes, Member Cohen.

MEMBER COHEN: I'm not sure who to direct it to.
But this information that we have gathered about work and California workers — is it presented to the Legislature? Particularly, I'm thinking about the Rev and Tax Committee.

MR. HOFELING: So we do share — if they do ask for any advice or help, we do share with them, like, our reading of the law, and it's -- I know it's a -- like you said, it's a dynamic area, and so to the extent that they do have questions, we are always happy to help them to understand what the law currently reads and to discuss with them -- if they have questions as far as what's needed, we're always happy to discuss them as far as what areas that we see that are maybe unaddressed.

And, as you know, the FTB -- without your Board's approval, we don't support or oppose or take a position on any legislation, but we continually try to help those -- our partners in the legislation and in other areas to help understand what the current state is, so they can make those policy decisions.

MEMBER COHEN: Okay, Counsel.

Now, I know that you don't shape legislation, but you make yourself available to -- so that the legislators inform -- they are informed about the legislation that they are -- that they are making.

However, through your analysis, did you find any
areas where -- that one could have introduced legislation or one could begin to work in an area to create legislation that would have a positive impact on California workers?

MR. HOFELING: So, as you mentioned, since we do not really take positions on that, what we do is, through our different external events, like the Tax Policy Conference, and other areas, we do listen to what the community says and take it in and take that in so when we are asked, as far as the current law, and if there's any complications with our administration of that, we're happy to share and kind of convey those viewpoints as we see them as well.

MEMBER COHEN: Thank you.

Thank you very much, Madam Chair.

CHAIRPERSON YEE: Great. Thank you, Member Cohen.

All right, Members.

So our next item is Item Number 5, and this relates to FTB's leadership culture, and this is a presentation by Michelle Smith.

Good afternoon.

MS. SMITH: Good afternoon, Madam Chair, and Board Members.

My name is Michelle Smith, and I'm the Enterprise
Workforce Planner in FTB's Organizational Development and Talent Management Bureau.

It is my pleasure to present to you the Franchise Tax Board's leadership culture and how it has helped us weather the pandemic's workforce challenges.

It's no secret the State of California is feeling a talent pinch. The pandemic impacted the world's workforce and talent pool in ways the government wasn't prepared for. With climbing vacancies and reduced response to open job postings, workforce behavior is changing in unpredictable ways. FTB is no stranger to this pandemic-influenced recruiting challenge. Today I will share how FTB's leadership culture has cultivated resilience and prepared us for this challenge.

FTB has always prioritized workforce development as evidenced by the breadth and wealth of our Talent Management Programs, which I will highlight today. These programs help support our workforce planning efforts, which are constantly evolving. Bringing data-driven risk management helps us identify our workforce development needs and allows us to work on them proactively.

Above all, this focus has helped us grow a more robust workforce bench. While our workforce planning helps us identify our most critical needs, both now and
in the future, our leadership culture instills the
necessary character to ensure the workforce weathers
environmental pressures like the pandemic, budget
changes, or the future of work.

FTB's leadership culture is more than just
programs that help prepare staff for the next level. We
also offer programs to all staff to help them be leaders
at their desks, with their teams, personal lives, and
communities.

In a moment I will share how this supports the
retention of our workforce.

With the pandemic, budget-related impacts and
competitive private sector employment landscape, the
state has seen workforce behavior shift, similar to the
characteristics we experienced in 2008. There's a
global increase in retirements and general workforce
instability, and FTB also sees and feels this. While
FTB has other efforts that focus on employee retention,
we recognize that our leadership culture is a crucial
factor in that retention.

Turnover happens, and when we experience
recession or disasters, it impacts workforce behavior
similar to how we were and are being affected by the
pandemic.

Research shows that 50 to 70 percent of job
seekers consider an organization's culture before 
applying, depending on their career level.

Our leadership culture is a key factor in 
retention. Our recruitment strategies include a shift 
of our focus from perks to driving applicants to our 
opportunities' emphasis on purpose and our culture as a 
value-add to their career.

So let's talk about what causes workplace 
retention.

FTB's leadership culture focuses on building 
experts at all levels. We see leadership as a quality 
and not a status defined by a role, position, or 
classification.

Studies show that greater than 55 percent of 
workers are open to new job opportunities in the next 
year. This increases to 71 percent of employees who are 
not fulfilled by their job.

While there isn't a perfect correlation between 
job dissatisfaction and turnover, especially in State 
service, the reasons to stay increase when people like 
what they do, know why, and for whom they do it.

We heard the quote, "People don't leave jobs; 
they leave managers." This sentiment alludes to the 
importance of workforce engagement. Healthy workforce 
engagement is a clear indicator of a healthy culture.
Our culture is to build experts and leaders at all levels, which resonates with our staff.

I will share how our efforts meet FTB's workforce at their career level in a moment and how the formal leadership programs listed here support staff development throughout their career life cycle.

This program mix is offered through FTB's Organizational Development and Talent Management Bureau.

For our FTB's Formal Leadership Programs, we have Growing Leaders at All Levels, Enterprise Coaching and Mentoring, Management Development Program, Management Rotation Program, Training Leaders in Supervision, and Executive Assessment and Development Program.

And here's a continuation of the formal leadership programs that we have available. In addition to Mentoring Programs, we also partner with Sacramento State College of Continuing Education for Leadership for the Government Executive and Leadership for the Government Manager.

We also partner and offer opportunities with California Innovation Playbook for Government Change Agents, or Cal-IPGCA.

Along with our formal leadership programs, we also have informal leadership programs such as our Mission & Values Team, where participants have the
opportunity to gain leadership experience serving through their community.

We also offer the Talent Management Service Teams, where divisional representatives have an opportunity to sit on a number of those service teams, such as recruiting or hiring or workplace engagement as subject matter experts.

They are joined by other divisional representatives and act as a think tank to solve enterprise challenges for those respective areas.

Now that I have shown the formal and informal leadership programs here at FTB, I would like to show you an example of the FTB employee life cycle.

As you can see, there are many opportunities for staff at any level and how the program mix supports leadership culture development at any stage in the employee life cycle. Staff are empowered to develop the leadership skills for what is meaningful for them at their desk, team, work environment, community, and self.

We create leaders, not bosses, and foster a growth mindset culture that promotes our retention with these programs.

So how do we know the program is successful? We've found a direct correlation between our leadership culture and the organization's success. This design
promotes cross-training and immerses participants in business knowledge outside of their core function. We organically grow succession-ready leaders no matter where they are in the organization.

More than 95 percent of our 66 Executive Management staff participated in more than 70 percent of the available programs in the past. Using programs that promote retention through career development and pathways, we have reduced siloed, conveyor belt succession and instead promote a latticework of succession management. This naturally grows a strong and robust workforce bench.

To share why this is so important, roughly 30 percent of FTB's workforce is eligible in approaching retirement risk thresholds.

In our Executive Management or Key Leadership category of staff, this number increases over the next five years. It is critical to continue to offer programs that cultivate a leadership culture to ensure we have the right talent in the right place at the right time.

To quote some of our leadership program participants: "The world is moving too fast to rely on our past successes and knowledge alone. Management rotations allow leaders to grow and obtain a broader
perspective of the services and information taxpayers need to file accurate and timely tax returns. This leadership opportunity provides new relationships, allowing us to better serve our customers. It also appreciates the talented people at FTB who work hard to deliver these services and products to our customers."

From Susan Larson.

From our Enterprise Coaching and Mentoring Program: "This was my second year participating as a mentee. I've been benefited from this program in networking, learning about other areas, and being exposed to other management styles. I appreciate the time Mary Yessen took to listen and provide valuable feedback. It was great to have someone bounce ideas off of and learn from another perspective. She also educated me on her business area, and the tours she took me on were especially interesting. I look forward to participating in this program again as a mentor and hope that I can pass on some of these benefits."

From Karyn McDaniel.

In summary, FTB's leadership culture keeps us resilient with foundational programs that are well attended and designed to support the organization now and in the future. While our workforce continues to stabilize in the wake of the pandemic, we are still
experiencing a 95 percent retention rate of permanent staff. Because of our leadership programs, when we lose experienced rank-and-file employees or leaders due to separations, talent from our strong bench can seamlessly step into those positions and continue the business objectives.

This concludes our presentation today. We would like to thank you for allowing us to have the opportunity to share this information and, at this time, we would be happy to answer any questions you may have.

CHAIRPERSON YEE: Thank you, Michelle, for the presentation.

And just very uplifting and inspiring that we continue to build on this culture here at the Franchise Tax Board.

And I want to just give a shout-out and really compliment your Executive Officer, Selvi Stanislaus, who even, pandemic aside, has always been committed to this type of culture building here at the Franchise Tax Board and really centered on and grounded on innovation and how we continue to do better in terms of serving our taxpayer and carrying out our mission.

But overlay that with what you have just walked us through, and it's really just --

I just want to say thank you, Selvi, for
continuing to promote such a healthy culture, but one that is just so cognizant of the changing world around us.

Members, any comments or questions?

MEMBER COHEN: Yes.

CHAIRPERSON YEE: Member Cohen?

MEMBER COHEN: I love, love, loved the presentation.

MS. SMITH: Thank you.

MEMBER COHEN: Loved it, because it actually reminded me, once upon a time in my life, before I was elected, I worked at the San Francisco Federal Reserve Bank. And they had similar structures where you were able to partner with people, develop a mentor-mentee relationship. And really they invested in you to grow you in the bank and, most importantly, instilling in you leadership qualities and also the culture of the organization.

And, quite honestly, a lot of the things that I have learned, particularly about management and about leadership, you're -- I am able to apply, as an elected, in running -- in running my offices and the teams that I -- that I run.

And so these -- these traits -- sounds like the courses that -- the skills that you learn and you
develop and that you are constantly developing -- that's the part I like -- is that you've -- you are never -- you are never too old to learn. They are just applicable in all walks of your life and that it actually makes you a better, more well-rounded person.

So thank you.

CHAIRPERSON YEE: Thank you, Member Cohen.

Member Miller?

MEMBER MILLER: Thank you.

And thank you very much.

I do -- just in terms of the retirement risk, this was the scariest slide to me. And I would love just to sort of, in addition to the management rotations and really trying to expose people to leadership, would love, in the future, when we talk about this, and FTB's leadership, to talk a little bit about succession planning and what that looks like and what the plan is, what the goals are, how we see people.

Thinking ahead a little bit, because -- because I do think, you know, your -- even the Key Leadership is almost 45 percent between, you know, the -- within five years were already eligible.

So it's significant, and it would be great to think a little bit around succession planning, especially just because of, I think, some of the risks
to the state at large if we don't do this right.

CHAIRPERSON YEE: Absolutely.

MEMBER MILLER: Thank you.

CHAIRPERSON YEE: Great point, Member Miller.

And I think that probably is applicable just
statewide as well when we look at just so many of our
functions that are going to be affected.

Thank you.

Let's see if there are many -- any members of the
public who wish to address the Board on this item.

We will first take members of the public on the
phone line, followed by any member of the public here in
person.

PHONE MODERATOR: Members of the public on the
phone lines, if you would like to place yourself in the
queue for public comments, as a reminder, you may press
1, then 0, at this time.

(No response.)

PHONE MODERATOR: No members of the public are
queuing up at this time.

Please continue.

CHAIRPERSON YEE: Thank you very much.

And seeing no member of the public coming before
the Board here in person, that concludes this item.

Michelle, thank you again, very much, for the
comprehensive presentation.

All right, Members.

Our next item is Item Number 6. This -- these -- this item relates to administrative matters.

We first will have Rosita Mindermann, who will present the conceptual 2023–24 Budget Change proposals. This is an informational item. Followed then by Michael Banuelos, who will be presenting the contracts over a million dollars for Board approval.

Good afternoon.

MS. MINDERMANN: Good afternoon, Madam Chair, and Members of the Board.

My name is Rosita Mindermann, Budget Officer for the Franchise Tax Board.

Today I am presenting the BCP concepts for development for Fiscal Year 2023–24. If appropriate, we will return to the September Board meeting with fully developed proposals for your approval.

For Fiscal Year 23–24, FTB has identified ten concepts for development:

Concept 1: In 2008, Franchise Tax Board began a multiphase project to modernize processes, applications, and systems. The first phase of the Enterprise Data to Revenue, or EDR, Project, successfully laid a foundation by delivering the infrastructure and software
architecture for a consolidated platform with common
business functions and services.

The current phase, EDR2, will build upon this platform by delivering enterprise case management and modeling services for audit, legal, filing enforcement, and underpayment, as well as expand on the taxpayer folder and contact center platform's functionality.

This concept will address the resources required for the third year of planning, design, and consulting and professional services that are critical to the success of the EDR Project.

Concept 2: Providing exceptional service is one of the department's main goals. FTB strives to continuously enhance the customers' experience across all service channels by developing and implementing solutions to meet those needs. This concept is to request resources to enable the department to effectively serve taxpayers and tax practitioners in meeting tax filing and payment obligations.

Concept 3: Filing enforcement workload growth and correspondence. The Filing Enforcement Program identifies, notifies, and secures returns from individuals and businesses that do not file tax returns that have a filing requirement. This proposal will request resources to address additional nonfiler cases,
resulting in taxpayers meeting their filing obligations.

Concept 4: Executive and administrative support workload growth. As the department has grown, demands and expectations of staff who assist internal and external stakeholders continue to change year over year with additional and more complex work required in a shorter time frame. This proposal is seeking resources to address these ongoing administrative needs.

Concept 5: Technology Services Division workload growth. Along with our employees, information technology is a core component of the Franchise Tax Board. And over the past several years, the IT environment has evolved while the departmental needs continue to grow.

This proposal seeks additional resources to maintain, improve, and modify existing mission-critical applications and technology services to meet those internal and external requirements.

And as with all technology solutions, there comes a time when the aging systems and software must be replaced.

The next four concepts address these replacements.

Concept 6: System access and service management software modernization. FTB has continued to reevaluate
its technical back-office application tools used for various workloads. As with -- as technology evolves, staff evaluates if there's a better, more efficient, and secure way to do FTB's business. So this proposal seeks to replace current back-office solutions and custom-coded programs with new enterprise-wide tools. The tools include pre-built solution modules to simplify the department's portfolio and better serve its needs. This proposal also includes additional resources to support the tools.

Concept 7: Enterprise videoconference management system refresh. This proposal is seeking funding to refresh the department's current videoconference system that is reaching the end of support. This refresh will also provide updated hardware and software components, improved video performance, and mitigate against risks of aging hardware.

Concept 8: Enterprise wireless refresh. Instant connectivity is a service that we have all grown accustomed to in today's technological world. Being able to connect wirelessly to perform work has almost become standard.

This proposal requests a funding augmentation to refresh FTB's aging wireless access infrastructure to continue providing wireless access connection for FTB's
staff, business partners, and taxpayers.

Concept 9: High-speed printer refresh. FTB prints over 12 -- 20 million pieces of correspondence, such as notices, inserts, bills, and other print materials on an annual basis.

Due to the high volume, turnaround times, security needs, FTB prints these materials in-house as opposed to outsourcing.

This proposal requests a funding augmentation to replace the department's two high-speed print systems that are approaching end of life.

Concept 10: Software re-baseline. FTB relies on a range of specialized customized software tools to carry out its mission. And over the past five years, FTB has seen several of these software products increase in renewal fees or modification to the licensing structure, resulting in an increased cost as well. This proposal requests an augmentation to reset FTB's critical software baseline.

This concludes my presentation, and I would be happy to answer any questions that you may have.

CHAIRPERSON YEE: Thank you very much for presenting the concepts. Let me just see -- and these will be developed, coming back to us in September.

MS. MINDERMANN: Correct.
CHAIRPERSON YEE: Thank you.

Members, any questions or comments at this time?

MEMBER MILLER: I have no questions, Madam Chair.

But I will be abstaining from voting on any of these.

CHAIRPERSON YEE: Great. Thank you, Member Miller, for the reminder.

All right. Thank you very much.

Next we will move to Michael Banuelos, who will present to us the contracts over a million dollars for Board approval.

MR. BANUELOS: Good afternoon, Madam Chair, and Board Members. It's nice to see all of you.

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

CHAIRPERSON YEE: Oh, excuse me, Michael. Before we proceed, let me back up and just make sure we don't have any members of the public who wish to speak on the BCP concepts. We'll bifurcate the item here.

So are there members of the public who wish to speak on the Item 6, the administrative matters -- or, actually, the budget change proposal concepts -- before we move on to the contracts?

And we will take those who wish to address the
Board, from the public, on the phone line first, followed by those here in the auditorium.

PHONE MODERATOR: Members of the public on the phone lines, if you would like to place yourself in the queue for public comment, as a reminder, you may press 1, then 0, at this time.

(No response.)

PHONE MODERATOR: No members of the public are queuing up at this time.

Please continue.

CHAIRPERSON YEE: Thank you.

And seeing no member of the public here in the auditorium approaching the Board on that item, we will take that as presented.

Thank you.

Michael, I'm sorry. There were so many concepts, I didn't want anybody who wanted to comment to have to wait.

MR. BANUELOS: Not a problem, Madam Chair. I will forgo the opening, but it is still there in good will.

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

I am here today to present two proposed contracts
over $1 million for your approval.

   With your permission, I will explain the two contracts and then would be happy to answer any questions.

CHAIRPERSON YEE: Sure.

MR. BANUELOS: Our first request is seeking permission to enter into a contract for Common Business-Oriented Language, more commonly known as COBOL, programming services. We request these services to augment our Business Entity Development Team in order to develop and maintain our COBOL applications.

   Currently there is a backlog in that area. We are finding it increasingly challenging to deliver legislatively mandated changes on time.

   During the last year we have had to increasingly juggle resources to focus on the most critical workload, which cannot be sustained. The contractors will provide professional services associated with the Business Entities Tax System COBOL application and may also be used in our Personal Income Tax environments as needed.

   This includes developing and maintaining of critical applications as well as knowledge transfer, training, documentation, and testing of existing and new applications.

   Unfortunately, hiring legacy COBOL developers has
been a challenge despite our best efforts. We have advertised for these vacancies and have been unsuccessful in finding a viable candidate pool.

We are currently backfilling positions from staff that has retired. However, even when we fill the vacancies, the training takes between six to nine months before they can hit the ground running. The Business Entities Tax System is complex and needs senior-level developers with many years of COBOL experience, as well as associated databases such as Natural and Db2.

The use of contracted staff will help us keep up with existing and new workloads. The contractors will also assist newly hired State staff to come up to speed on these complex systems.

If we are unable to use contracted resources, it will jeopardize other efforts as well as future legislation related to business tax credits.

We intend to hire three full-time positions for a period of three years. The initial estimated cost of the contract is approximately $2.8 million. However, the cost may be adjusted once we begin discussions with the service providers and finalize the solution. We will notify the Board of any changes to the cost of the contract.

And we also plan on using the recently released...
Department of General Services Master Service Agreement
for technology, digital, and data consulting.

Our second request seeks approval to enter into
an Interagency Agreement with the Department of
Community Services and Development, also known as CSD,
for education and outreach related to the California
Earned Income Tax Program, or CalEITC.

California's Earned Income Tax Credit is a -- is
a refundable, cash-back credit for qualified low- to
moderate-income working Californians.

Annually, FTB partners with CSD to distribute the
education and outreach funds through their existing
grant processes to nonprofit organizations.

Currently, the Fiscal Year 22–23 budget proposes
$10 million for outreach activities by nonprofit and
community-based organizations. Ongoing budget
discussions may result in the modification of the
existing grant award that was proposed in the January
budget. Advocates continue to note year-round and
increased funding levels are needed.

If the grant funding changes in the final enacted
budget, your approval today will also support
modifications to this contract consistent with any final
grant funds awarded in the 22–23 Fiscal Year budget.

Currently, the total estimated cost of the
agreement is $10.6 million, which includes the $10 million to be distributed as well as reimbursement for CSD's operational costs during the 22-23 Fiscal Year.

These are the agreements I am requesting approval for, and I would be glad to answer any questions you may have.

CHAIRPERSON YEE: Great. Thank you very much for presenting the two contracts.

Questions, Members?

MEMBER COHEN: Yes. Just one quick question about the first contract for the three full-time-equivalent positions.

Are these permanent positions? Are these permanent positions?

MR. BANUELOS: As in permanent State positions, or permanent, that they will be working full-time permanently for three years.

MEMBER COHEN: Yes. You answered my question.

It was permanent, working for full -- for three years?

MR. BANUELOS: My understanding is they will be permanent, full-time, for three -- up to three years.

MEMBER COHEN: Thank you. That answers my question.
Thank you.

CHAIRPERSON YEE: Thank you.

Member Miller, anything?

I did have a question. Actually, probably, more of a statement. And this is something I continue to have interest in.

And, Member Cohen, your question prompted it again today.

And that is the Interagency Agreement with DCSD for the outreach. And I think what I -- I'm -- I'm not getting a sense that year after year -- I mean, we're talking about an amount that we are actually awarding to community-based organizations.

But what are we seeing, kind of year after year, with respect to our -- broadening our reach to eligible claimants, one?

Where are we broadening our reach to eligible claimants?

And if this outreach money were not available in the budget, what would happen?

So, in other words, are we helping them build, I guess, either an infrastructure or a capacity for being sure that eligible claimants are able to claim their EITC or Young Child Tax Credit as -- as kind of looking at it as building an infrastructure, rather than just
awarding these grants every year?

MR. BANUELOS: As in helping the grantees build an infrastructure?

CHAIRPERSON YEE: I'm sorry?

MR. BANUELOS: Do you mean that in the sense of the grantees that are receiving the money, building an infrastructure?

CHAIRPERSON YEE: Yes. Yes. So that we're not essentially repeating the same outreach every year but that we're actually making improvements and that there's something that is sustained and lasting with this money, hopefully over the long term.

And I just don't know the answer to that question. It seems to me there are some very hard-to-reach communities and populations. Like, you know, monolingual communities, I think, would be challenging. There might be some remote parts of the state that are also hard to reach geographically.

But I'm just concerned about what would happen if this money weren't available in the budget and our ability to be sure that those were eligible for claiming the CalEITC and the Young Child Tax Credit.

MR. BANUELOS: I can give you what my thoughts are. I'm not involved in measuring the performance of the program.
CHAIRPERSON YEE: No, that's okay.

MR. BANUELOS: I would say we're in our sixth year of partnering with CSD, and my understanding is that every year we get a little bit better based on what we learned.

The biggest challenges right now, I think, are based -- that we would normally hear are the amount of funding and also the timing of the funding from the grantees.

We've -- I recall being in one meeting where it's very difficult for the grantees to continue to do new things and for us to ask them to do things when a lot of their efforts are spent ramping up and ramping down the program because of the time of year and the way the budget process works.

But as far as the other -- those other items that you are looking for, I would probably have to defer to Shane or others that may know better than I do.

CHAIRPERSON YEE: And I'm not seeking, necessarily, answers to them without more information. But it does strike me that, as we are going to be encountering budgetary constraints, if we have to reduce this amount or hopefully not eliminate it, what would happen?

And I would just like to think that with a
six-year track record, we will have built some sort of an infrastructure to where we can still reach these claimants. And hopefully these claimants are filing on their own, after having been, you know, reached through these programs.

So rhetorical probably, more so than not, but I would like, actually, some more information about that. And I know we're contracting with DCSD, but I would really like the awardees to come back with some of that information. I understand the capacity issue. That's not -- it's not a knock on the awardees; but it is, I think, just as a state, and as we're putting these dollars forth, what are we -- what are we getting in return?

MEMBER COHEN: Actually, Madam Chair, could I follow up on that?

In terms of the outreach -- and this actually isn't for you; this may be for you. But I do think that the way we have done our outreach contract -- and this is a function of State law. This isn't the Franchise Tax Board.

But because they sort of restart every year, another thing to look at, as we look at more efficacy within our contracts, is whether or not we can actually have kind of a continuous contract to the extent funds
are available. I mean, some of this is, the way we appropriate dollars are one time.

But to the extent that funds remain available, could we continue the contract and so that we don't restart kind of the -- getting the volunteers together, getting the outreach out there?

And that allows folks to get in there and have relationships, go back to the same people every year. So that's -- and, again, it would have to -- we would -- it wouldn't be an ongoing appropriation, but that may be a way to get some of that consistency that the Controller is speaking to.

CHAIRPERSON YEE: Yeah.

Well, we should look at that just in terms of -- I mean, I just get nervous that we will lose our ability to do this outreach or have it be compromised as budgets get tighter. So we can work with the Community Services and Development to just get more information about the grantees.

Okay. Let's see if there are any members of the public who wish to address this item related to any of the contracts.

We'll take members of the public on the phone line first and then anyone here in the auditorium.

PHONE MODERATOR: Members of the public on the
phone lines, if you would like to place yourself in the
queue for public comment, as a reminder, you may press
1, then 0, at this time.

(No response.)

PHONE MODERATOR: No members of the public are
queuing up at this time.

Please continue.

CHAIRPERSON YEE: Thank you very much.

And not seeing anyone approaching the Board on
this item in person, we will look at a motion for
approval of the contracts.

MEMBER MILLER: And it's just the contracts?

CHAIRPERSON YEE: Just the contracts, yes.

MEMBER MILLER: I will move approval of the
contracts.

MEMBER COHEN: Second.

CHAIRPERSON YEE: Okay. Thank you.

We have a motion by Member Miller. Second by
Member Cohen.

Please call the roll.

MS. RUBALCAVA: Member Cohen?

MEMBER COHEN: Aye.

MS. RUBALCAVA: Member Miller?

MEMBER MILLER: Aye.

MS. RUBALCAVA: Chair-Controller Betty T. Yee?
CHAIRPERSON YEE: Aye.

Thank you. That motion passes.

Thank you very much for the presentations.

MR. BANUELOS: Thank you for your support.

CHAIRPERSON YEE: Okay, Members.

We will now move to Item Number 7, which is Board Members' time. And we have several very special things during this item.

First, let me, as a point of personal privilege, introduce and welcome our new Deputy Controller for Tax Policy, and that is Anthony Epolite, who is no stranger to the Franchise Tax Board.

Anthony, will you please stand?

He also -- I think for many of us -- formerly with the Board of Equalization and the Legal Department, that we are happy to welcome him as our Deputy Controller for Tax.

Thank you.

And then we have three very special resolutions that the Board would like to present today.

And first let me just start with the Resolution for Yvette Stowers, who was the former Deputy Controller for Tax Policy in the State Controller's Office. And Yvette recently was appointed to become the Executive Director of the Board of Equalization.
And what I thought I would do, which I usually don't, but just to get a feel for each of the three individuals who we are recognizing this afternoon, I will read the resolutions. I think it's important to recognize their -- just record of dedicated service, but also just some of their characteristics that really speak to their commitment and dedication, as well as some of their personal interests.

And so, Yvette, I am happy to see you here with your sister Angela. And welcome. And let me just proceed and read the Resolution.

"WHEREAS, Ms. Yvette Stowers, after 25 years, faithfully continues to serve the People of the State of California, most recently as Deputy State Controller for Taxation for the State Controller's Office; and

"WHEREAS, Ms. Yvette Stowers began learning financial best practices, where else, but with the Franchise Tax Board in 1987. After serving the State of California as Auditor, Audit Supervisor, and Program Specialist with the Franchise Tax Board, Yvette transferred to the Board of Equalization in 2008, where she continued her service to the people of California and the tax community as a Tax Consultant Expert II to then Board Member Betty T. Yee; and

"WHEREAS, Ms. Yvette Stowers, in 2015, served as
Deputy State Controller for Taxation to State Controller Betty T. Yee, continuing her advocacy for fair tax administration; and

"WHEREAS, Ms. Yvette Stowers is devoted to doing the right thing, regardless of how hard it is, and is always looking out for taxpayers' best interests; and

"WHEREAS, Ms. Stowers handled issues and questions from taxpayers, small businesses, and multinational corporations, with grace and professionalism; and

"WHEREAS, Ms. Yvette Stowers frequently served as the Controller's representative in our Board meetings, we thank her for her dedicated service, work ethic, and good humor; and

"WHEREAS, Ms. Yvette Stowers now embarks on new adventures, and we look forward to her journey, all the while remaining part of the extended FTB family.

"NOW, THEREFORE, LET IT BE RESOLVED, this 9th day of June 2022, by the Franchise Tax Board, that we recognize and thank Ms. Yvette Stowers for her professional and personal dedication to the Franchise Tax Board and, most importantly, to the People of the State of California."

And let me just add, if I may, personally, it's been a wonderfully rewarding, and I will say loving,
14-year relationship with you.
And I don't know how I even thank you. We -- I can count over the years -- I think it's literally hundreds -- hundreds -- of constituent cases that you have worked through on behalf of our office.
And for that, and just the tremendous, tremendous dedication that you have brought to our team at the Board of Equalization and now to the State Controller's Office, and you will continue on with the Board of Equalization. My deepest gratitude and affection.

Congratulations.

(Applause.)

CHAIRPERSON YEE: We do have the resolution here, and I would invite you and Angela to come forward, and we would love to have the Board Members just come and present that to you.

(Applause.)

MS. STOWERS: Thank you, Controller Yee.

You know, guys, this is family. We're a family here. Who would have thought in 1987, when I became the new auditor, 90 days in the summer, when we did the classroom training, that this would be my job, my career?
Leadership. You guys definitely train and developed leaders. A lot of programs that you talked about, I remember doing the mentorship. The -- I'm drawing a blank.

Management Development. My project with Management Development was mentoring. And I believe it has served me well.

Working with Controller Yee as her Tax Consultant with BOE and going through all of those various tax cases with the bills, coming back over here to Legal and getting advice and them keeping me out of trouble.

Thank you very much.

Anthony, you've got a lot of work to do.

And I'm sure you guys are probably saying, "At least Yvette won't be calling me come next tax season, asking to suspend the program."

Thank you very much.

And I'm just down the street. See you guys at the next Tax Policy Conference.

(Applause.)

CHAIRPERSON YEE: Thank you very much, Yvette. Congratulations.

Next, we would like to present our Resolution to Frank Curcuro, who is our Assistant Director of Field Operations in the Accounts Receivable Management
Division.

And we have here with Frank, during this day of honor, is his wife, Cynthia. His mother, Rosanne, has joined us as well. And I believe one of your sons is here, Dominic is here, and that we welcome all of you.

Frank is another dedicated member of the FTB team, and just, I think, has been widely recognized just for his tremendous work ethic, and someone who I know his peers will dearly miss.

But let me proceed to read the resolution for Frank.

"WHEREAS, Mr. Frank Curcuro first crossed the Franchise Tax Board's threshold in 1991 and quickly displayed his strong work ethic, dedication, and passion for his work. Frank established himself in our field offices, where his career encompassed a wide range of experiences; and

"WHEREAS, Mr. Frank Curcuro via his leadership and results-oriented work ethic improved the field office's services, workflows, and organizational structure, as well as having participated in the Cannabis Business Team and All State Agencies Cannabis Business Team, Federal-State Steering Committee, serving as the original Marijuana Business Team Leader;

"WHEREAS, Mr. Frank Curcuro was instrumental in
establishing the vision for Field Operations of the Future, and is devoted to doing the right thing, looking out for FTB's best interests and meeting the needs of customers, and he always considered FTB a big family; and

"WHEREAS, Mr. Frank Curcuro spent 31 years at FTB and rose through the ranks from Field Collector, to lead, to Field Supervisor, Field Manager, and Assistant Bureau Director; and

"WHEREAS, Mr. Frank Curcuro now embarks on new adventures with his wife, Cynthia; and sons, Dominique and Tony; traveling, pursuing home-improvement projects" -- oh, yes, get that honey-do list done -- "expanding his guitar collection, and watching his favorite movie, 'Caddyshack'; and

"NOW, THEREFORE, LET IT BE RESOLVED, this 9th day of June 2022, by the Franchise Tax Board, that we recognize and thank Mr. Frank Curcuro, on the occasion of his retirement, for his professional and personal dedication to the Franchise Tax Board and, most importantly, to the People of the State of California. Congratulations, and we wish you all the best as you embark on your next chapter."

And, again, just a model of operational excellence, not just with respect to the work that you
came in to do every day, but leaving a lasting legacy
with respect to how this operation is going to look in
the future.

So congratulations to you.

And, please, I invite you and your family to come
forward and accept the Resolution on behalf of the
Board.

Congratulations.

(Applause.)

MR. CURCURO: If I might, I have a few words I
would like to say.

Thank you, Madam Chair, and honorable Board
Members.

31 years ago I left Chico and took a job in
Oakland, which I thought would be for a few months. And
here I am 31 years later. And it looks -- it's just a
flash in the pan. It happened so quickly.

I would like to just take a moment to thank the
Board and Members for your ongoing support and guidance
of FTB. I would like to thank Selvi and our FTB
Leadership Team for their guidance and support,
mentoring, and patience.

I would like to thank FTB staff, all of them, for
their hard work and dedication. And I would like to
thank the People of the State of California for all that
they do.

I believe that public service is the highest calling, and it has been an honor for me to serve.

Thank you.

CHAIRPERSON YEE: Thank you.

(Applause.)

CHAIRPERSON YEE: And our third resolution we will be presenting to someone who we really have had the pleasure of working with over all these years. And that is to Denise Mellor, with the Administrative Services Division. She is the chief of that division. And we are very pleased to just recognize her this afternoon as well.

And with her here today are several members of her family. Her father, Tom. Welcome. Her mother, Liz, who, unfortunately, could not be here today. Her husband, Ron. Her son, Erik; and Erik's girlfriend, Cassidy. I believe your daughter, Melissa, is joining via livestream today, and so we will welcome her as well. And then your brothers, Mark and Matt, are here; as well as your sister-in-law, Kim.

Welcome, to all of you.

(Applause.)

CHAIRPERSON YEE: And let me proceed to read the Resolution. And these Resolutions don't really do
justice. I mean, we just know you.

"WHEREAS, Ms. Denise Mellor began her Franchise Tax Board journey in 1985 as a student assistant displaying her well-known sense of responsibility, excellence, and commitment.

"WHEREAS, Ms. Denise Mellor continued with experiences and achievements, including rising through the Audit Division, being instrumental in the opening of the Phase I and Phase III building expansions, and assisting in the creation of the 540EZ; and

"WHEREAS, Ms. Denise Mellor shared her energy, expertise, and commitment as an advisor to the Management Development Program and Mission & Values teams, where her ability to mentor others has made participants better leaders with a broader organizational perspective;

"WHEREAS, Ms. Denise Mellor demonstrated her thoughtfulness, fearlessness, and integrity in implementing FTB's first Security Operations Center; and

"WHEREAS, Ms. Denise Mellor, as Administrative Services Division Chief, commitment to data security, protecting taxpayer information, and calm leadership during the uncertain times of the pandemic, has provided excellent leadership which will serve FTB well for years to come; and
"WHEREAS, Ms. Denise Mellor earned the admiration and respect of her FTB staff and colleagues, and will be remembered for her 'Desserts with Denise'; and

"WHEREAS, Ms. Denise Mellor is set to embark on new adventures, including trips across the country and Europe; volunteering at 'Care a Van,' driving folks to appointments; or home baking and crafting;

"NOW, THEREFORE, LET IT BE RESOLVED, this 9th day of June 2022, by the Franchise Tax Board, that we recognize and thank Ms. Denise Mellor, on the occasion of her retirement, for her professional and personal dedication for almost 34 years to the Franchise Tax Board and, most importantly, to the People of the State of California. Congratulations, and we wish you all the best as you embark on your next chapter."

Congratulations, Denise.

(Applause.)

MS. MELLOR: Thank you, Madam Chair, Board Members, and Selvi for that wonderful Resolution.

It has really been my honor to be part of the FTB. Who knew that a chance encounter, when I was at Sacramento State University, with Brenda Voet, who is new our Taxpayer Rights Advocate -- when she shared with me that the Franchise Tax Board was looking for student assistants, she says, "Here's a flyer. You should
apply." Who knew that would lead to this 33-plus-year career. And what career it's been.

You see, while I was here for a year as a student, I did leave. I took a job in public accounting. Thought it was a good opportunity to try it. And, you know, I loved it. I met a lot of great people. Had a lot of great experience. But I didn't love living in a suitcase.

So when I knew it was time to make a change, I knew where I wanted to go. And, thankfully, FTB welcomed me back with open arms.

While here, I got to try so many different things. This is such an incredible organization. There's so many different opportunities to do something different and to be challenged.

I got to do audit. I got to learn about information security. I can remember saying, "Me? Information security? What's this about that?"

And I got to work on incredible projects, some of the things that were listed in the Resolution. Another highlight is being here when we went live with MyFTB. What a -- what a momentous occasion when you get to access your own taxpayer account. That was January of 2016, by the way. I will never forget.

I have loved every role I have had, and I'm proud...
of everything that we have accomplished.

    FTB gave me a place where I could be challenged
and have an incredibly challenging career. And some of
you challenged me maybe a little bit more than others.
But I also got to start and raise my family here.

    You see, we worked hard. Sometimes really late.
But I also got to attend school functions, sporting
activities, and be there when my kids needed me. And,
to me, that's priceless. The best of both worlds.

    I have been fortunate to be supported and
mentored by some incredible people at all levels of this
organization. There's too many, really, to name names.
But I do want to give some thanks.

    So, again, thank you to the Board. Your support
of FTB allows us to have a thriving workplace and to
serve the taxpayers.

    So thank you.

    Selvi, thank you for your confidence in me and
especially for your support in a crisis. Your check-in
calls have meant the world to me. And she knows what
those "crisises" are.

    To my Governance Council peers, thank you for
trusting me, especially over the last two years. It's
probably the hardest two years of my career, figuring
out what to do to make sure our employees stay safe but
yet we still accomplish our mission. It was important.
I think we did the best that we could, and I'm really
proud of our efforts.

To Linda -- I don't know if she's listening --
but thank you for being my right hand and sometimes my
left. I think she's here. I couldn't do it without
her. I don't know what I did before I had Linda in my
life.

To my Bureau Director Team, you are a dream team.
You keep the lights on so I can do what I need to do.

And to the ASD, Administrative Services Division,
staff, and all of the rest of the FTB employees, I see
the work that you do every day, and I appreciate you.
We appreciate what you do.

Lastly, I want to thank my family: my parents,
Tom; my mom, Liz, unfortunately couldn't be here today,
but I know she's -- she's been texting me, saying she's
with me in spirit. But they shaped my core values and
my work ethic. And they set such a great example for
doing the right thing. So thank you to them.

My brothers, Mark and Matt, who, frankly, put up
with a bossy older sister.

To my husband, Ron; and my kids, Melissa and
Erik, thank you for putting up with all the long hours,
late nights, the "Just one more email and I will be
ready," or the "Few more minutes on this phone call." I love you all.

It's been an incredible ride. I love FTB, and I'm going to miss being part of all the incredible work that we do and that I know that they are going to continue to do. I have a rule: no crying at work. So I'm a rule follower; so I'm going to get myself together here.

But I know that FTB is in really good hands. So take care of my baby for me. Okay?

Thank you.

(Appause.)

CHAIRPERSON YEE: Denise, let me invite you and your family to join us on the stage so we may present the resolution to you.

(Appause.)

CHAIRPERSON YEE: I think, if we have demonstrated anything, it is truly FTB -- actually, I was struck by a couple of things.

One, so many careers here begin with just that chance encounter and -- but more importantly, how so many of -- most everyone on this team really embodies and demonstrates how public service truly is the highest honor, serving the People of the State of California.

So congratulations to each of our individuals who
we have recognized this afternoon, and all best wishes
for continued health and success in your life.

    Members, I'm going to ask you -- Member Cohen
just stepped aside.

    But, Member Miller, anything you would like to
add on during Board Member time?

    MEMBER MILLER: Just two quick things, in
addition to echoing your thoughts about the
extraordinary commitment and that -- I did -- of the --
I'm -- that was just so lovely and uplifting, and just
reminds you of all the goodness in the world, and we all
need that.

    So just two really brief stories: One about
Yvette -- and I'm sorry, Richard [sic], I didn't get to
work directly with you -- one about Denise.

    Yvette, the best thing that I remember about you
is how excited you were to be a VITA volunteer. I mean,
all of these great accomplishments; but, like, being
there on the ground, helping people fill in their tax
returns -- like, to me, that is -- in Yiddish, we'd say,
like, what a "mensch" you are, what a -- like, great,
incredible person.

    And going out there, over the weekends, just
because it made a difference, was really special. And I
feel like with, you know -- when we were -- we went
through the trenches on filing and the -- nobody in the 
world -- really kind of everybody in the world was 
against making tax filing easier. And you led the way. 

So when I talk about the legacy and really having 
people here in other countries, with the IRS standing on 
your shoulders in terms of that commitment to making 
life a little bit easier so that we can get on with the 
things that matter -- like, you know, getting to dinner 
with your family, I think, is phenomenal. 

So thank you both sincerely. It's an honor for 
me and a -- and a true privilege. 

And, then, to the FTB, I do want to do just two 
things. I think being here in person and hearing about 
your leadership is such a testament to what it means to 
have an in-person culture, and I know it's been hard for 
all of us in State government to figure that out. And 
to make the transition. Change is hard, and we've all 
had to go through so much of it. 

But having some presence and some of this 
mentoring and this connection feels -- I feel so filled 
with pride of what you have managed to accomplish. So I 
want to recognize the leadership here of the tough 
decisions to bring folks back to be here, to be in 
person. And what it really means to the long-term 
health of the department.
And then, Jozel, to you and your team on Metropoulos versus the FTB, on the Court of Appeal ruling on both counts in your favor, it's another legal win that really does show how well you implement and execute on the laws and how much respect you have by -- and this is an Appeals Court decision. It's a big deal.

So congratulations to you and your team.

MS. BRUNETT: Thank you very much. I have a great team.

MEMBER MILLER: Yes. Indeed.

Thank you very much.

CHAIRPERSON YEE: No. Thank you, Member Miller.

And, yes, this is -- what we have experienced this afternoon definitely is enterprise-wide. And it is not just the dedication with respect to the work just in front of us, but it is just all the way around in terms of service. And so just very, very grateful that we're part of this great, great organization.

Thank you.

I know Member Cohen just stepped aside, but why don't we move on to the Executive Officer's time at this moment, and we can return to her if she has any comments.

So Selvi?

EXECUTIVE OFFICER STANISLAUS: Thank you very
Good afternoon, everyone. I want to start by thanking our Board and my FTB family for the great work, guidance, and partnerships that have made this tax season successful.

I would like to recognize Finance Director Keely Bosler for her service and dedication, as this may be her last meeting as a member of FTB's Board. I greatly appreciate Member Bosler's service to the California taxpayers as a member of our Board. Her experience, her insight, her counsel to me, and guidance will be missed.

On behalf of FTB, we wish you the best in the next phase of your career.

So as we close out this meeting, I want to use my time today to echo the sentiments shared by our Madam Chair and the Members of our Board and, once again, acknowledge these three individuals who have meant so much to FTB and the taxpayer community over the past three decades.

So, Yvette, you started your career here, at FTB, as you heard, 25 years ago.

Since then, you have gone on to make a remarkable career with the Board of Equalization and the State Controller's Office. Throughout that time, you have remained a wonderful friend to me and a great resource.
to both FTB and the taxpayers. I couldn't be more excited for you, and wish you the very best in your new role as Executive Director of BOE.

And, at the same time, I want to also welcome Anthony Epolite with a warm FTB welcome. He's no stranger. He came from FTB, and we're happy to have you back at FTB at a different role.

So today we heard Michelle Smith give a fantastic presentation about the Franchise Tax Board's leadership culture. There could be no better examples of individuals who have exemplified FTB's leadership culture than Frank and Denise.

So, Frank, you started your career here at FTB, as we all heard, 31 years ago, as a Field Collector. You took full advantage of FTB's Leadership Development Programs. And along with your drive, your dedication, and hard work, you made a big difference, not just to your teams, but to all of FTB.

You should be very proud of your career, as I am. And I congratulate you and your family on your retirement.

Thank you, Frank, for all you have done for FTB.

And, Denise, 34 years ago you began your FTB journey as a student assistant. Your career is a
shining example of what can be achieved through sheer dedication, determination, and hard work.

Your retirement will leave a huge void for FTB to fill. But for me, the biggest void will be losing you as a friend and colleague. It has been my absolute pleasure working alongside you. You literally carried FTB and me through the early times of the pandemic and kept us all together and moving forward during perhaps the -- our most challenging times in the history of FTB.

I know you didn't do it for the "thank-yous" or the accolades, but I sincerely cannot thank you enough for what you meant to FTB during this time.

Denise, you have earned this moment, and I congratulate you and your family on your retirement.

Thank you, Denise.

So the retirements of Frank and Denise will definitely be felt at FTB. Replacing a combined 65 years of experience will not be easy.

But, through our Leadership Development Programs and the culture we build, I'm hopeful and very excited for the next generation of leaders.

So, once again, I sincerely thank you, Controller, Member Cohen, and Member Miller, for your valued perspectives. You are always there to ask critical questions, to see the big picture, to guide me,
guide FTB. Your guidance and critical insight are crucial to our success.

And then one last thank-you to our FTB staff for the hard work and long hours you have put in during this tax season and even beyond.

You know, when we all pull together and roll forward as a team, we are greater than the sum of our parts. And that's what I see here at FTB and thank you all.

Thank you, Members.

(Applause.)

CHAIRPERSON YEE: Thank you, Selvi. Thank you, Selvi. Very much just really apt words. And let me add my deepest gratitude and recognition and just appreciation and respect for the service of Keely Bosler as our Director of Finance.

I don't think anyone signs up to do this work during one of the most challenging times in our state's history. And it truly has been a sacrifice. You do this as a sacrifice in normal times. But to just be always accessible, available, to not know what's going to happen from one moment to the next, it seems like this period of time has just been crisis after crisis.

But I have personally very much appreciated the working relationship I have shared with her, and I think
the people of California just really owe her a tremendous debt of gratitude for just being there for the state, at every moment; every turn; during, particularly, these past over two years.

So just really all best wishes to her. I hope she can get some of this time back for her and her family. And just, again, another example of, you know, public service, and knowing that, when duty calls, that she is always there.

So congratulations for just a remarkable, remarkable period of time that she has just served all of us.

MEMBER MILLER: Madam Chair, can I follow on?

CHAIRPERSON YEE: Yes. Please. Please.

MEMBER MILLER: So I also don't cry at work, but I think the way you said it is beautiful. She is accessible and available. She has worked for nine years, for two Governors, and sincerely is the most professional, down-to-earth, smartest, kindest person I have ever worked with. And I have worked with phenomenal humans.

It's been such a privilege and an honor and -- to get to do this for Keely in this role, to represent her at these Boards. I have learned more than I can say. And it's really -- I'm so, so happy you chose to
acknowledge her. And I hope that we continue to do that because the service of the role.

And, Frank, to your point about no higher calling than public service, Keely really does embody that. You said it beautifully. And so I sincerely appreciate the opportunity.

And I know if Keely were here, she would -- she would be overwhelmed, because she's never also done any of this for the accolades or the acknowledgment. But I sincerely appreciate it, and I will -- and I will share with her. I have been furiously texting her all the things people have said.

So thank you very, very much.

CHAIRPERSON YEE: Thank you. Thank you, Member Miller.

Let me just now take a moment, and I will do this for both Items 7 and 9 on the agenda, to see if there are any members of the public who wish to address the Board on the issues brought up during Board Member time as well as the Executive Officer's time.

We will take members from the public who are on the phone line first, followed by those here in the auditorium.

PHONE MODERATOR: Members of the public on the phone line, if you would like to place yourself in queue
for public comment, as a reminder, you may press 1, then 0, at this time.

(No response.)

PHONE MODERATOR: No members of the public are queuing up at this time.

Please continue.

CHAIRPERSON YEE: Thank you very much.

And seeing no members of the public approaching the Board on those items, we will move to the next order of business.

And I believe we don't have a closed session today.

So, thank you, Member Miller. And I know Member Cohen had to leave a little bit early.

But this, I believe, concludes the Franchise Tax Board meeting for today. What a wonderful meeting. And just a wonderful tribute to this great organization embodied by the three individuals we recognized this afternoon.

But, more importantly, how wonderful it is just to be back in person again.

And, please, everyone, stay healthy and safe.

Our meeting is adjourned.
Thank you.

(Proceedings concluded at 3:42 p.m.)

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CERTIFICATE OF REPORTER

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

That I am a disinterested person herein; that the foregoing 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 23rd day of June 2022.

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