

STATE OF CALIFORNIA
Budget Change Proposal - Cover Sheet
 DF-46 (REV 10/20)

Fiscal Year 2023-24	Business Unit 7730	Department Franchise Tax Board	Priority No. 003
Budget Request Name 7730-003-BCP-2023-GB		Program 9900100 – Administration	Subprogram

Budget Request Description
 Essential Service and Stakeholder Support Gaps

Budget Request Summary

The Franchise Tax Board (FTB) requests \$2.5 million, \$2.4 million in General Fund and \$100 thousand in special funds for 13 positions for 2023-24 and \$2.4 million, \$2.3 million in general fund and \$100 thousand in special funds for 13 positions in 2024-25 and ongoing to enable the department to engage in critical and essential services related to revenue estimating, budgeting, legislative analysis, project oversight, procurement, talent management and ensure compliance with Equal Employment Opportunity Laws.

Requires Legislation <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No	Code Section(s) to be Added/Amended/Repealed	
Does this BCP contain information technology (IT) components? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No <i>If yes, departmental Chief Information Officer must sign.</i>	Department CIO	Date

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

Project No. **Project Approval Document:**
Approval Date:

If proposal affects another department, does other department concur with proposal? Yes No
Attach comments of affected department, signed and dated by the department director or designee.

Prepared By	Date	Reviewed By	Date
Department Director	Date	Agency Secretary	Date

Department of Finance Use Only

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

PPBA	Date submitted to the Legislature
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A. Budget Request Summary

The Franchise Tax Board (FTB) requests \$2.5 million, \$2.4 million in General Fund and \$100 thousand in special funds for 13 positions for 2023-24 and \$2.4 million, \$2.3 million in general fund and \$100 thousand in special funds for 13 positions in 2024-25 and ongoing to enable the department to engage in critical and essential services related to revenue estimating, budgeting, legislative analysis, project oversight, procurement, talent management and ensure compliance with Equal Employment Opportunity Laws.

B. Background/History

FTB is responsible for administering the income and franchise tax laws for the State of California. Staff process tax returns and payments, issue refunds to Californian's, conduct audits and filing enforcement actions, collect debts owed the state and support numerous service functions allowing for each of these compliance activities to occur. As a result of FTB's efforts, in FY 2021-22, FTB processed more than 22.5 million tax returns, over 10 million payments, responded to more than 2.9 million telephone calls, serviced over 70 million internet contacts, and collected about \$190 billion in revenue, representing approximately 77 percent of California's General Fund revenue¹. The General Fund is utilized to fund necessary services for all Californians across the state including but not limited to education, safety and welfare programs, and law enforcement.

FTB has multiple support areas within FTB that supports core services for all of FTB. These business areas provide expertise and services in the areas of procurement, financial and project management, legislation, research, statistics, talent management, planning, and services related to responsibilities under the Equal Employment Opportunity statutory framework. These functions ensure FTB can optimize services provided across the department as well as provide key information and services to external stakeholders such as the Government Operations Agency, Department of Finance, Department of General Services, Department of Technology, the Legislative Analyst Office, the Legislature, and the California Department of Human Resources (CalHR).

Economic and Statistical Research Activities

Staff engaged in this business line provide services for FTB program areas, statewide policy makers, the public and other stakeholders in order to assess the historical and current impact of tax laws and policies. Bureau staff also develops California revenue impact estimates for proposed legislative changes to the personal income and corporate tax codes, and federal law changes as well as publishes annual reports and information in FTB's Open Data Portal on significant tax expenditures.

Financial Management Activities

Staff engaged in this business line are responsible for the formulation, management, and execution of the department's budget, including the accounting function. This bureau establishes budgetary principles, policies, systems, and procedures and assists senior management in managing FTB's budget at both a workload and enterprise perspective to ensure all resources granted FTB are utilized as expected and at an optimal level. Staff ensure the accurate and systematic accounting for all revenue, expenditures, receipts, disbursements, and property of the State entrusted to and administered by the Franchise Tax Board, coordinate the development of the department's budget and collaborates with external oversight departments soliciting additional resources through Budget Change Proposals, and ensuring FTB has sufficient resources to engage in new legislative programs implemented. Finally, staff documents enterprise workload metrics and leads efforts to understand and act upon this enterprise performance data.

¹ Revenue figures based on the 2021-22 Cash Report reported in the Department of Finance's July 2022 Finance Bulletin.

Legislative Services

Staff engaged in this business line provides services to ensure that legislation that affects taxpayers and the Department can be administered. Staff responsibilities include providing timely, accurate, and objective bill analyses; engaging in discussions on how operations will be or can be modified for legislative bills, developing and shepherding department legislative proposals through the legislative process; and working collaboratively with the Legislature, the Government Operations Agency, Department of Finance, Legislative Analyst Office and many other external stakeholders.

Planning, Project Oversight & Risk Management Activities

Staff engaged in this business line provides numerous diverse services to FTB and external stakeholders. Staff are responsible for strategic and planning services, functions related to ensuring the department is prepared for actions necessary to ensure continuity of operations in the event of an emergency or catastrophic event, providing project oversight of FTB information technology projects and coordinates with internal and external stakeholders to ensure project success and transparency of efforts occur, and finally, staff lead FTB's risk management program to capture, report, and address risks across the enterprise to ensure that critical program and operational risks are identified early, raised to the right decision makers, and shared timely with key stakeholders as appropriate.

Procurement Activities

Staff engaged in this business line provides enterprise assistance to ensure acquisition of services and products necessary to support FTB business operations. As appropriate, Procurement Bureau staff works closely with external oversight departments to ensure all rules supporting the procurement process are followed and contracts are timely completed. In fiscal year 2020-21, FTB reported spending \$74.5 million for approximately 750 contract agreements annually. FTB's total reported spend has grown from approximately \$35.9 million in fiscal year 2010-11 to \$74.5 million in fiscal year 2020-2021. FTB and one other department have the highest level of purchasing delegation authority (Tier 4) from Department of General Services and this level of Purchasing Authority requires a fair level of oversight, including undergoing annual audits.

Equal Employment Opportunity Office

The Equal Employment Opportunity Office manages Franchise Tax Board's equal employment opportunity programs in compliance with federal and state laws and regulations, including (but not limited to), Title VII of the Civil Rights Act of 1964, American's with Disabilities Act of 1990, Government Code sections 19700-19706, and the California Fair Employment and Housing Act. Staff also ensure that FTB complies with federal and state employment laws thereby managing and minimizing FTB's exposure and liability related to allegations of unfair employment practices.

Talent Management

Talent Management is a collaborative, enterprise-wide effort focused on our most valuable resource: FTB employees. Talent Management is the integrated process of ensuring that an organization has a continuous supply of highly productive individuals in the right job, at the right time. Talent Management champions programs and processes that recruit, develop and retain the right employees to meet FTB's business and strategic objectives. Talent Management can increase overall workforce productivity through the improved attraction, retention, and utilization of talent. This strategy is superior not just because it focuses on productivity, but also because it is forward looking and proactive, which means that the organization is continuously seeking out talent and opportunities to better utilize that talent.

C. State Level Consideration

FTB's administration of California's income tax laws is facilitated by a committed focus to fulfilling FTB's Strategic Plan. Within the Strategic Plan, FTB's Mission is "to help taxpayers file timely and accurate tax returns and pay the correct amount to fund services important to Californians". To

accomplish this mission, FTB established four Strategic Goals and Strategies, and has proven successful by considering them while maintaining its Foundational Principles and Values.

FTB's Administrative Services Division (ASD) and Finance and Executive Services Division (FESD) provide vital support to FTB's operations. ASD and FESD provide key services to internal and external customers which is a high priority at FTB and is one of its core values. This BCP request aligns with the following FTB Strategic Goals:

Goal 1: Exceptional Service states the FTB will "Strive to continuously enhance our customers' experience." FTB's ability to provide exceptional service relies on the support provided by ASD and FESD.

Goal 4: Operational Excellence states that FTB will "Optimize our processes, products, services, and resources to better serve our internal and external customers." Operational Excellence is one of FTB's strategic goals and critical to its success. Providing timely and accurate assistance is crucial to ensuring the FTB operations and resources are optimized, and that the department meets the expectations of its customers in a timely manner.

D. Justification

FTB's inability to complete key support work efforts and products could jeopardize key policy efforts of the Administration or jeopardize FTB's ability to complete critical work in the most effective manner to ensure FTB operations are strong and allowing for optimal services levels for all Californian's trying to comply with filing and payment obligations.

Deficient staffing levels for support functions prevents FTB from responding timely or adequately to external or internal requests for services. Insufficient level of senior staff positions or management positions also results in work being performed at the highest executive levels leading to delays in deliverables and errors or omissions being found far into the process where key gaps can be identified for the first-time causing rework and delays. These inadequately staffed functions lead to many key staff working long hours week over week which is not sustainable.

Due to the work performed in many of these business areas, little room exists to decline new requests as a means to manage inventory levels. Insufficient staffing and management levels jeopardizes work products and potentially creates risk for the enterprise or external stakeholders.

Economic and Statistical Research Activities

(Request 1 Perm Program Specialist III, and funding to cover increased costs for reclassifying an Administrator II position to a CEA B position)

Staff in this business area are responsible to manage questions and workload products associated with revenue estimates associated with pending legislation and revenue forecasting.

Over the last five years, workloads have fluctuated up and down with COVID based and other type restrictions, however, the complexity of the proposals being considered have increased significantly. Historically, while legislative concepts generally dealt with a single topic such as a tax credit or expenditure, in recent years numerous and significant policy oriented changes have been debated through the legislative sessions with a key desire of using California's tax system to address key policy issues such as income disparity, disbursement of stimulus or relief payments, equity based issues such as health care and outreach for Californian's needing assistance, and ensuring all California's pay their fair share in income taxes. These issues are extremely complex as to policy matters as well as FTB's business operations. Additionally, with the diversity of the new proposals, FTB has had to refer to new data sources, as well as understand how they compare, or do not compare, to tax return data which is our typical data set used for revenue estimating and analysis. This has increased complexity of our revenue estimates for pending legislation as well as added time to complete each analysis, particularly as it relates to the review function.

With insufficient staff, review workloads are becoming consistently delayed creating the situation where FTB is unable to timely issue revenue estimates or analyses or in some situations, FTB has had to retract incorrect analyses further impacting our external stakeholders. These estimates help

external stakeholders understand the fiscal impact of legislative proposals on the General Fund which is critical to ensure that any proposal adopted can be covered by the General Fund and not cause any unwarranted or undisclosed impacts to the State's General Fund. Review workload gaps that currently exist will be performed by the new Program Specialist position and is critical to ensure our workload products are timely, complete, and without errors so that our external partners can rely on them. This workload is not expected to decrease in size or complexity and risks could be substantial if FTB is not able to appropriately staff the workload.

FTB has enjoyed the services of an economist on staff that has a PHD in Economics. This advantage has provided extensive benefits to both FTB and our external stakeholders relying on his expertise and experiences. As part of succession planning, as well as recognizing the diversity of issues we now address in revenue forecasting and estimating, as well as the intolerable risk for errors, FTB believes this workload is appropriately classed at the CEA level and accordingly has begun the process of upgrading this position. FTB is requesting the delta funding for this position upgrade.

Financial Management Activities

(Request 2 Perm Administrator III Specialists, 1 perm Administrator IV, and upgrade costs for 3 Associate Operations Specialists to 2 Staff Operation Specialists and 1 Senior Operations Specialist)

Staff in this business area are responsible to prepare and manage the department's budget as well as work with business areas throughout the department to ensure appropriate use of resources as well as understand any resource needs that present and need to be put forth as a Budget Change Proposal. In recent years, as FTB's operations continue to grow and change, managing the department's budget includes understanding resource needs and gaps, and the need to develop sustainable proposals continues to increase in complexity as well as volume. Two key events have caused complexity and increased risks with current staffing levels that will be mitigated with these requested resources.

In recent years, FTB has engaged in a modernization effort for our technology platform which has fundamentally changed the way we engage in business operations which requires a robust understanding not only of a specific task or activity, but also a robust understanding of predecessor and successor business activities to ensure any workload is fully resourced across the department. Additionally, this business area works closely with our legislative services business area and is instrumental in assisting in costing new legislative concepts based on a gained understanding of impacts to the business areas, including adopting new ways to engage in business, as necessary. Historically, while legislative concepts generally dealt with a single topic such as a tax credit or expenditure, in recent years, numerous and significant policy oriented changes have been debated through the legislative sessions with a key desire of using California's tax system to address key policy issues such as income disparity, stimulus payments, equity based issues such as health care and outreach for Californian's needing assistance, and ensuring all California's pay their fair share in income taxes. These issues are extremely complex as to policy matters and internally have required FTB to identify new and different ways to do business simultaneously to continuing our standard business operations.

All of these activities are required to be done in extremely short timeframes. In order to ensure timely completion with thorough analysis to avoid unnecessary operational impacts and implementation concerns, additional senior staff are warranted and higher classifications for working level staff are necessary to ensure the complex situations are appropriately analyzed. In the last three plus years, with existing staffing levels, we continue to see work delayed, suffer an inability to timely address resource gaps, and identify errors and omissions of key elements for the first time upon the highest level of review which results in wasted time and repeating of mistakes as a product makes it ways through the review process. In some situations, FTB has released information only to have to retract and restate the information to correct an error. Neither is an acceptable business model and impacts to our external stakeholders who rely on our efforts can be substantial depending on the error and topic of discussion.

The Administrator Specialist III staff members will be responsible for coordination of the most complex assignments with a key focus on enterprise discussions related to internal budget management activities or on external budget conversations related to legislative costing proposals and Budget Change Proposals that impact the department, including determining and documenting new ways to do business to implement any new legislation or other desired program changes. To date, a dedicated senior level staff position does not exist to ensure that discussions are focused on department wide changes needed or implementation concerns from all FTB business areas. Currently, FTB relies on existing senior management staff that have full and robust workloads outside of these additional tasks. This reliance on individuals who truly do not have the capacity to engage in this extensive task, has created issues where discussions are delayed, are incomplete, or fail to ensure FTB has considered all implementation concerns or program adoption strategies. Alternatively, as work is prioritized, other required work is delayed causing unwarranted impacts to other stakeholders. These two additional senior staff positions will ensure that FTB is able to perform all necessary work to fully support internal budgeting workloads as well as address budget impacts related to new legislative proposals that are pending.

The Administrator IV will be responsible for overall program management including ensuring processes are robust, timely, and staff development needs are accommodated. With workloads to date, this business area struggles to engage in these basic and crucial program aspects.

Last, as work continues to grow in complexity, existing staff classifications used are proving to be less and less effective to ensure staff engaging in this work have the necessary skill sets to effectively conduct this work. To support future business operations, as well as for recruitment and retention purposes, FTB is requesting funding at the higher standard classification to ensure agility in getting work done.

Legislative Services

(Request 2 Perm Program Specialist II, and 1 Perm Administrator III Specialist)

Staff in this business area are responsible for working with external stakeholders to facilitate discussions and analysis on proposed legislation. Over the last five years, workloads have fluctuated up and down with COVID based and other type restrictions, however, the complexity of the proposals being considered have increased significantly. Historically, while legislative concepts generally dealt with a single topic such as a tax credit or expenditure, in recent years numerous and significant policy oriented changes have been debated through the legislative sessions with a key desire of using California's tax system to address key policy issues such as income disparity, stimulus payments, equity based issues such as health care and outreach for Californian's needing assistance, and ensuring all California's pay their fair share in income taxes. These issues are extremely complex as to policy matters and internally have required FTB to identify new and different ways to do business simultaneously to continuing our standard business operations. With these significant proposals leading to change, and the need to engage the entire department in discussions and determine different ways to do business, existing staffing levels in our legislative area are insufficient to engage in preparing robust analysis and engaging in these multiple discussions to allow for sufficient and timely conversations so that FTB can be responsive to inquiries as to administrative issues and impacts associated with the legislation. For many bills, FTB has had to prioritize work efforts in a manner that has caused delays in work products and less than robust analysis than our normal work processes would support. This can lead to unnecessary and unforeseen implementation issues or concerns from our internal or external customers.

The two additional Program Specialist II's will join existing staff members primarily responsible for bill analysis and engaging the department on implementation issues and allow FTB the ability to release timely and robust responses to queries and published bill analysis. Adding these additional staff members will facilitate a more targeted and robust assignment of work products and allow for staff inventory levels to recognize complexity.

The Administrator III Specialist will be responsible to engage in a newly established role overseeing and analyzing the most complex legislation and working closely with all business areas in FTB who are impacted by these proposals that are large scale in nature or would cause FTB to engage in a new line or way to do business. This individual will also serve in a review role for staff work, which in recent years has become a backlogged process preventing full and timely development of the analysis. The Administrator Specialist III staff member will also be responsible for coordination of the most complex assignments with a key focus on enterprise discussions related to proposed legislation that has the likelihood of significantly impacting our business operations including requiring FTB to stand up a new program or process of significance. To date, a dedicated senior level staff position does not exist to ensure that discussions are focused on department wide changes needed or implementation concerns from all FTB business areas. Currently, FTB relies on existing senior management staff that have full and robust workloads outside of these additional tasks. This reliance on individuals who truly do not have the capacity to engage in this extensive task, has created issues where discussions are delayed, are incomplete, or fail to ensure FTB has considered all implementation concerns or program adoption strategies. Alternatively, as work is prioritized, other required work is delayed causing unwarranted impacts to other stakeholders. This additional senior staff position will ensure that FTB is able to perform all necessary work to fully support legislative workloads as well as support FTB business areas and external stakeholders.

Planning, Project Oversight & Risk Management Activities

(Request 1 Perm IT Specialist II)

In recent years, FTB has engaged in a modernization effort of our technology platform which has fundamentally changed the way we engage in business operations which requires a robust understanding not only of a specific task or activity, but also a robust understanding of predecessor and successor business activities. Additionally, in recent years, the Department of Technology continues to introduce critical and required processes related to project management with the desired outcome that statewide projects are successful.

As a result of these events, understanding potential changes in our technology platform, whether these changes focus on end-of-life replacements, innovation concepts, or new legislative programs being adopted, the time for deliberation and the depth and breadth of the work due to our integrated systems continues to add more time to the process as well as complexity.

The IT Specialist II will assist FTB efforts by ensuring all project work is supported by critical and required documents and that they are comprehensive as to discussion and solution all which will ensure our projects are successful. This position also requires demonstration of a depth of leadership and expertise when providing consultation and guidance to project management teams on a variety of tasks towards the implementation of technological projects; tasks include detailed PAL documentation, comprehensive project management monitoring throughout the project lifecycle research, IT audit analysis, policy and procedure updates, and project approval documentation. The IT Specialist II will also prepare reports and other relevant documents and participate in interdepartmental teams with control agencies such as Government Operations Agency, California Department of Technology, and Department of Finance.

Failure to receive this additional position will jeopardize FTB's ability to ensure all existing workloads are completed timely and to mitigate risks associated with an inability to ensure our project solutions are robust and thorough thus allowing FTB's projects to succeed within scope, timeline, and cost. FTB has always been and will continue to be an innovative based organization constantly looking for ways to ease the processes of tax filing and paying taxes with the least amount of resources needed to be successful. In recent years, legislative changes have also been a significant part of our innovation proposals. Most of these efforts are fast tracked for implementation making it even more critical to have the necessary resources, including oversight efforts, to accomplish this work.

Procurement Activities

(1 Perm IT Specialist I, and 1 Perm Associate Budget Management Analyst, and funding upgrades for four staff members (2 Staff Service Analysts to Associate Budget Management Analyst and 2 IT Associate to 2 IT Specialist I positions))

Staff conducting procurements ensures FTB receives the goods and services needed to perform its mission critical responsibilities. Staff conduct acquisitions, manage procurement projects, prepare purchase orders (POs), and negotiate contracts and assist with a multitude of contract management activities, including vendor disputes, for FTB. Staff serve as the primary point of contact for the FTB vendor community and liaison with other departments related to departmental goods and services. The Procurement Bureau supports FTB's day-to-day business operations to achieve its mission critical workloads.

The existing structure in the Procurement Bureau supports two types of procurements: Business Acquisitions and Technology Acquisitions. In fiscal year 2019-20, Business Acquisitions received one permanent position to perform additional analytical work due to FTB's implementation of FI\$Cal.

In recent years, FTB has engaged in a modernization effort for our technology platform which has fundamentally changed the way we engage in business operations which requires a robust understanding not only of how a specific task or activity is conducted, but also a robust understanding of predecessor and successor business activities to ensure any item or services acquired meets all needs across the department and does not introduce any unintended operational risks. Additionally, technology continues to rapidly change, and vendors consistently upgrade their licensing and pricing models resulting in additional work to fully understand new terms and ensure appropriate terms for the State are negotiated. Finally, the State continues to adopt new mandates and strategies impacting procurement efforts all to ensure contracts negotiated are as expected and needed, and that the State's vendor pool is consistently and fairly treated and equitable preferences supporting the vendor community are adhered to. Provisions such as these, while not necessarily increasing the number of procurements, increase the length of time to finalize a procurement effort.

FTB is an organization that relies heavily on technology and FTB manages our own Tier III equivalent data center. Most of our contracts support our IT efforts and to ensure FTB is acquiring the best tools and services to meet our needs, extensive research continues to be needed as well as extensive negotiations on contract terms and costs which continue to add complexity to staff work which takes additional time. FTB is requesting one new staff position and two staff classification upgrades to ensure that our IT contracts can be completed timely and as needed. Without these resources, FTB will continue to have inadequate resources to manage the contract inventory we have today that allows FTB operations to be efficient and effective.

FTB is also requesting one new staff member and two staff classification upgrades for staff that assist in contracting goods and services for non-IT needs. These contracts are also increasing in need and complexity and these resources will ensure FTB can avoid risks to our operations due to insufficient staffing levels. In recent months, FTB has had to temporarily redirect experienced staff that would normally engage in non-IT contracts to assist with the finalization of IT contracts leaving this business effort unsupported which is not sustainable.

Without the requested positions, the Procurement Bureau will continue to experience delays throughout the procurement process, from the initiation of a contract/purchase order action through the awarding and management of the contract. The lack of procurement support to FTB business processes can cause a multitude of issues. This includes a lack of ability to assist in planning efforts, such as the Project Approval LifeCycle for critical IT projects, compliance issues when agreements are not processed timely, delays in the acquisition process, less reliable reporting in FI\$Cal, inability to assist departmental staff in handling vendor disputes, inability to expend funds within a given fiscal year, and a reduction to the competitive and cost-effective acquisition of goods and services. Ultimately, these issues can cause delays to critical procurements that are required to support projects and operations, especially our critical information technology efforts. FTB is starting to note increased situations where contracts are not renewed in a timely manner and this brings multiple risks to FTB, as well as taxpayers.

Equal Employment Opportunity Office

(Request 2 Perm Associate Personnel Analyst position)

Staff in this business area are responsible for various functions including managing FTB's 'reasonable accommodation' programs under various statutes including the Americans with Disabilities Act of 1990, Sections 503, 504 and 508 of the Rehabilitation Act of 1973, and various other accommodation programs under Government Code Sections 12926, 12940, 19675, 19230 – 19237, 19701-19702, and various supporting California regulations and policies. These programs present complex legal matters and are critical functions that must be performed and addressed in a timely manner. Failure to manage these programs will present legal risk for FTB and California if requests for a reasonable accommodation are not undertaken in a timely manner and appropriately resolved.

A reasonable accommodation is needed when staff have a job-related limitation due to a disability/medical condition and cannot currently perform their current assignments. Additionally, in that last 12 to 18 months, additional accommodations were allowed for COVID concerns as well as allowing for the consideration of staff impacts due to caring for an associated person with a disability/medical condition that now can be considered under the umbrella of a reasonable accommodation. With these new elements of the program and the continued increase in requests for a reasonable accommodation in consideration of recently adopted statewide and FTB telework policies, this workload continues to expand and require additional diligence in the accommodation requested and granted. This accommodation may present as a temporary or permanent situation and accordingly requires continual follow up to ensure the accommodation remains in place and is working as required by law.

Existing staffing levels cannot review and resolve existing workloads timely to ensure legal standards are met for resolution and deployment of any accommodation. FTB does not see any reduction in future workloads considering existing and recently adopted program standards and general staff growth for FTB that would allow this workload to be conducted with existing staffing levels. Due to the unexpected growth, FTB has temporarily redirected a staff member to cover this increased workload, but the redirection is unsustainable as other legally mandated programs are being subjected to backlog status and untimely resolution. FTB's goal for this program continues to focus on finding a 'good fit' for employees to benefit both the employees and FTB. Increasing staff will allow FTB to assign and resolve inventory sooner, reduce monthly inventories, and follow up on previously established accommodations to ensure they are still effective and necessary.

Talent Management

(Request 1 CEA Position)

A Talent Management program develops, implements and enforces policy around organizational development, including strategies on organization change management, and talent management to ensure the people side of change achieves business outcomes associated with the changes.

Our staff have always been our most valuable resource; without them we simply cannot fulfill our mission or goals. Recent changes in the workforce environment relate to many factors but most significantly relate to reduced candidate hiring pools and changes as to where and how an employee works - all which impact the way we can successfully recruit and retain staff. Most recently, the pandemic has resulted in over 70% of FTB staff teleworking to some degree. Previously, before the pandemic, on average about 20% of FTB staff had the ability or choice to telework.

To date, FTB has begun to address how to manage and mitigate these impacts to avoid unnecessary operational issues. However, there remain significant shifts in how people communicate and how work flows in our new working environment that we have yet to fully address. We have to address these environmental challenges in order to continue to be successful and achieve our mission in the future, and we must have a program dedicated to

supporting and leading the effort to ensure that we continue to develop staff and manage organizational change to ensure that we achieve the maximum results and fulfill our fiduciary responsibilities to taxpayers.

FTB's organizational development component was previously supported with a matrix type organization structure that we had hoped would lead us successfully in this endeavor. While this matrix type structure was partially successful, due to time constraints based on other duties these staff members also had to conduct, the effort has not succeeded as needed or intended. This position is being requested to ensure that one senior executive has a singular yet comprehensive focus on ensuring that FTB can succeed in adopting changes necessary to support business functions in this new workforce environment and that FTB can remain an employer of choice with prospective employees.

Without this critical role, enterprise wide guidance and leadership would be lacking likely leading to ineffective and inefficient operations and risking our ability to fulfill our mission. This individual will develop, implement, and set the policies for the people side of organizational change management. According to California Department of Technology's Organizational Change Management (OCM) Framework, businesses need to manage the people-side of change in order to achieve business outcomes associated with that change. OCM facilitates the transition of individuals, teams, and organizations to a future state to achieve business benefits. To accomplish this, OCM takes into consideration the complete organization and how the organization and people need to change.

Policies associated with this position will affect all 6500+ FTB employees. They will also directly impact the ability for the FTB to achieve our mission and goals to help over 20 million taxpayers file timely and accurate tax returns and pay the correct amount to fund services important to Californians. Policies give leaders and employees the guardrails for expectations. If we meet those expectations with well-developed and trained staff as well as efficient and effective processes we can deliver on our mission and goals.

Failure to establish this position could lead to a lack of quality, stability, and proactive policy development and implementation may subject the department to criticism and scrutiny from the public, media, other key stakeholders, and the three-member Franchise Tax Board.

This newly established and dedicated executive will provide leadership to support Franchise Tax Board's (FTB) Strong Organization Goal where we value, invest in, challenge, and empower our employees to have an enterprise view, be experts in their field and achieve their full potential.

FTB remains fully committed to helping taxpayers meet and fulfill their tax filing and payment obligations to support critical State provided services available to every Californian. As part of this obligation, FTB operations need to be efficient and optimized to serve all our internal and external stakeholders to ensure the best information, products, services are available timely and are done well with integrity. These resources requested in this BCP will ensure FTB meets these obligations and supports our external stakeholders at Department of General Services, State Treasurer's Office, State Controller's Office, CalHR, Department of Finance, California Department of Technology, Government Operations Agency, Legislative Analyst Office, and the Legislature to name only a few.

E. Outcomes and Accountability

This proposal will ensure staffing levels are commensurate with the degree of care, oversight, timeliness, and attention to detail required by these various workloads and therefor meet FTB and external stakeholder's expectations.

The management of resources received from this proposal will be the responsibility of the Chief of the FESD and the Chief of the ASD or their delegate. The fiscal oversight of the resources is the responsibility of the Chief Financial Officer.

F. Analysis of All Feasible Alternatives

Alternative 1: Approve FTB's request for \$2.5 million, \$2.4 million in General Fund and \$100 thousand in special funds for 2023-24 for 13 permanent positions; and \$2.4 million, \$2.3 million in General Fund and \$100 thousand in special funds ongoing for 13 permanent positions to achieve appropriate staffing levels for essential service and support functions.

Pros:

- Provide sufficient FTB resources, including for oversight functions, to ensure FTB can provide timely, accurate, and thorough work products and services to internal and external stakeholders.

Cons:

- Ongoing FTB expenditure and allocation from the state.

Alternative 2: Approve \$2.5 million for 2023-24, \$2.4 million for 2024-25, and 2025-26 for 13 three-year limited term positions to temporarily achieve appropriate staffing levels for essential service and support functions.

Pros:

- Reduce FTB Expenditure and allocation from the state.
- Provide temporary FTB resources, including for oversight functions, to ensure FTB can provide timely, accurate, and thorough work products and services to internal and external stakeholders.

Cons:

- Temporary FTB expenditure and allocation from the state.
- Premature loss of knowledge, capacity, and momentum as staff in limited-term positions find fulltime work and leave the limited-term position prior to the expiration of their limited term.
- Loss of knowledge as limited-term positions expire.
- Degradation of these critical services as we are currently seeing after limited-term positions expire.

Alternative 3: Do not approve proposal.

Pros:

- No increase of FTB's expenditure or allocation from the state.

Cons:

- FTB will continue to struggle providing key services related to revenue estimating, budgeting, legislation, project oversight, procurement, talent management and ensuring compliance with Equal Opportunity Laws.
- Internal and External deliverables will be untimely and have unfortunate errors or omissions that jeopardize the related process or the State's key policy objectives.

G. Implementation Plan

- June 2023 – FTB prepares documents to establish 2023-24 positions and forwards to the Department of Finance.
- June 2023 – Department of Finance notifies FTB of position approval.
- July 1, 2023 – Funding is provided and positions are established. FTB begins hiring and onboarding.

H. Supplemental Information

None

I. Recommendation

Alternative 1: Approve FTB's request for \$2.5 million, \$2.4 million in General Fund and \$100 thousand in special funds for 2023-24 for 13 permanent positions; and \$2.4 million, \$2.3 million in General Fund and \$100 thousand in special funds ongoing for 13 permanent positions to achieve appropriate staffing levels for essential service and support functions.

Pending Board Approval

BCP Fiscal Detail Sheet

BCP Title:

BR Name:

Budget Request Summary

Personal Services

Pending Board Approval