

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. 006
Budget Request Name 7730-006-BCP-2023-GB		Program 6280/6290/6295	Subprogram 6280010/6280019/6280025

Budget Request Description
 High Speed Printer Refresh

Budget Request Summary

The Franchise Tax Board (FTB) requests \$2,199,000 General Fund and \$33,000 special funds in 2023-24 and 2024-25; \$99,000 General Fund and \$2,000 special funds in 2025-26, and ongoing to replace two high-speed print systems and software that FTB uses to print FTB's notices, bills, and correspondence. The print system and software must be replaced because they will reach end of life (EOL) on December 31, 2024.

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 No	Code Section(s) to be Added/Amended/Repealed	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 checked="" type="checkbox"/> Yes <input 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 \$2,199,000 General Fund and \$33,000 special funds in 2023-24 and 2024-25; \$99,000 General Fund and \$2,000 special funds in 2025-26, and ongoing to replace two high-speed print systems and software that FTB uses to print FTB's notices, bills, and correspondence. The print system and software must be replaced because they will reach end of life (EOL) on December 31, 2024.

B. Background/History

In FY 2021-22, FTB received more than 22.5 million tax returns, processed 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 the California's General Fund revenue¹.

To successfully administer our filing, accounts receivable, audit, and non-tax programs, FTB uses a full-service data center, which includes extensive 24x7x365 printing operations using high-speed, industrial print systems. FTB also prints notices for the collection of monies on behalf of other departments, such as FTB's Court Ordered Debt (COD) program and the Department of Motor Vehicles (DMV) and provides emergency backup print services for the State Controller's Office (SCO). While FTB has implemented many paperless options, FTB continues to provide printed notices, bills, and correspondence to California taxpayers and customers. These printed documents, which are subsequently mailed, help FTB deliver its products and services to California taxpayers and generate revenue for the State of California.

For printing operations, FTB uses two mainframe print systems, a Canon VarioStream 7400 and a Canon VarioStream 7650. These print systems are capable of black and white printing and can print either on one side or both sides of the paper. Having two print systems allows FTB to run high-availability printing (i.e., if one print system is unavailable, FTB is still able to print). FTB's Print Operations Unit prints over 20 million notices, bills, and correspondence consisting of more than 76.5 million pages annually. Recently, with the implementation of programs like Health Care Mandate (HCM) and CalSavers the number of forms printed has increased from 1,200 to over 2,700 and the number of logical pages printed has increased from 45.3 million to 76.5 million, as shown in Table 1.

Table 1: Logical Pages¹ printed by Year

VOLUMES BY CALENDAR YEAR	2017	2018	2019	2020	2021
Total Volume of logical pages ² printed of notices, bills, and correspondence	45.3M	47.3M	55.9M	59.0M	76.5M

The current Canon VarioStream 7400 print system was placed in service November 2005 by authority of the Mainframe Printer Replacement Feasibility Study Report 03-02, (Post Implementation Evaluation Report, Finance #1730-178, January 2007). The current Canon VarioStream 7650 print system was placed in service in April 2015 by authority of the Mainframe Triplex Printer Feasibility Study Report 13-01 (Post Implementation Evaluation Report, Finance #7730-197, April 2015). Each of these efforts replaced existing print systems with up-to-date, toner-based print system technology. This has enabled FTB to effectively and efficiently manage and

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

² A logical page is an imprint on one side of a sheet of paper. A notice with an imprint on both sides is 2 logical pages.

maintain its high-availability printing operations. The print systems were one-time purchases and print systems are generally refreshed every seven to 10 years, depending on the manufacturer's EOL designation. Canon, the manufacturer of FTB's print systems, has over the years extended EOL, but recently announced EOL for these print systems is effective December 31, 2024. After that date, all forms of service, parts, and consumables (i.e., toner and developer) will no longer be available. Additionally, FTB is experiencing an increase in service calls as the print systems continue to age. It is once again time to refresh FTB's high-speed print systems.

C. State Level Consideration

Generally, on an annual basis, FTB programs generate approximately 77 percent of California's General Fund revenue. FTB's printing services are a key part of the primary method by which FTB generates revenue for the State of California. Replacing EOL equipment allows FTB to continue to provide excellent customer service and to carry out FTB's mission to help taxpayers file timely and accurate tax returns and pay the correct amount to fund services important to Californians.

FTB printing for other state departments: The new print systems will ensure FTB is able to continue fulfilling its mission to California and its taxpayers. In addition, FTB prints notices for the COD program, and the DMV. FTB also provides emergency backup print services for the SCO.

New Statewide Programs: FTB continues to add new programs and associated workloads that support State of California initiatives and legislation such as: CalSavers, HCM, and California Earned Income Tax Credit (EITC) Outreach.

FTB Strategic Plan Considerations. This proposal supports the following FTB Strategic Plan goals:

- **Exceptional Service** states, "Strive to continuously enhance our customers' experience." Printed documents mailed to our customers are a primary way in which FTB informs our customers of obligations and opportunities, which result in allowing FTB's customers to, for example, take action to pay the amount they owe and avoid penalties and interest or make the most of a program that provides them benefits, such as the EITC.
- **Effective Compliance** states, "Fairly administer the law to ensure taxpayers file and pay the correct amount." Printed notices and bills are the main catalyst for FTB to receive payment of amounts owed to FTB and the State of California.
- **Operational Excellence** states, "Optimize our processes, products, services, and resources to better serve our internal and external customers." Upgrading FTB's printing services to avoid failures due to EOL is essential and ensures FTB's continued ability to provide excellent customer service

D. Justification

FTB must replace its high-speed print systems due to EOL. FTB requests funding in 2023-24 to begin the replacement process prior to EOL. This early process allows FTB to install the new print systems with minimal risks to FTB's printing abilities for notices, (including bills and correspondence). This replacement will also protect against the negative impact of aging equipment and provide capability for increasing workloads.

EOL. FTB has been notified by Canon that the current high-speed VarioStream print systems will become EOL December 31, 2024. Maintenance and operations services by the vendor will no longer be available after EOL. Also, parts required to maintain or repair the print systems will become scarce or unobtainable, raising the likelihood of degraded performance or unavailability of FTB's high-speed print services. Before EOL, the Print Operations Unit must replace both print systems to seamlessly provide high-availability, high-speed printing services to FTB's internal and external business partners and for FTB to provide paper notices to California taxpayers.

The replacement of these print systems is vital to meeting FTB's business and operational requirements, which include: high print resolution, consistent print quality, fast print speed,

increased print capacity, high availability, and ability to timely mail notices. In addition, FTB will transition from a toner solution to an inkjet solution for added efficiency and reliability, improved sustainability and environmental impact, and to stay aligned with new market trends and standards.

System downtime due to age. Due to the print system's age, it is experiencing more frequent breakdowns that have resulted in an increase of service calls and unacceptable downtimes.

The replacement of these print systems allow for business continuity and optimal opportunity for taxpayer response and compliance by reducing interruption to FTB's print services in the event of a print system failure.

Risks of not printing notices timely. FTB must mitigate the risk of not being able to print its notices timely. These risks include:

- Impact to tax revenue and other collections that FTB processes and collects for the General Fund.
- Taxpayers not receiving notices timely regarding payment deadlines, which may result in interest, penalties, agency offsets, and liens.
- Increased contacts from taxpayers through call centers and written correspondence, which in turn increase workload backlogs.
- Impact to FTB workforce productivity as more resources are directed to answering calls and responding to correspondence.
- Not being able to send out notices and correspondence within the required legislatively mandated timeframes.
- Impact to other FTB systems and services as workloads are reprioritized in order to meet notice generation and mailing deadlines, which may subsequently impact other project timelines, internal and external, and staff workflows and workloads.

Increase in workloads. In the past five years, FTB's print workload has significantly increased. The trend in print volume increase continues as FTB brings on more workloads that support new and urgent state initiatives and legislation, which makes the print service availability that much more critical to FTB's mission in funding services important to Californians. Refer to Table 1 above.

In order to maintain FTB's printing operations and continue efficient communication and collection activities with taxpayers and avoid the risks outlined above, the printing systems must be replaced before EOL support ends on December 31, 2024.

E. Outcomes and Accountability

The management of this effort will be the responsibility of FTB's Chief Information Officer (CIO) or a delegate. The fiscal oversight of the resources will be the responsibility of both the CIO and the Chief Financial Officer.

FTB internally governs and manages its workloads tied to printing operations to ensure departmental priorities and goals are shared, plans are in place, and issues are resolved timely.

Upon implementation of the new system, FTB will continue to:

- Track print system service calls, system downtime, and availability percentage to ensure that performance metrics are at or above expected levels.
- Meet with vendors on a recurring basis to address any deviations from agreed upon service level agreements, as is done now with the current print systems.

- Track monthly click charges³, preventative maintenance, and remediation to ensure that maintenance costs are within the allocated budget.

F. Analysis of All Feasible Alternatives

Alternative 1: Approve requests \$2,199,000 General Fund and \$33,000 special funds in 2023-24 and 2024-25; \$99,000 General Fund and \$2,000 special funds in 2025-26, and ongoing to replace the high-speed print systems and software that FTB uses to print FTB's notices, bills, and correspondence.

Pros:

- Meets FTB's business and operational requirements.
- Optimizes FTB's processes, products, services, and resources to better serve FTB's internal and external customers.
- Reduces the risk of print system operations incidents and failures that would severely impact FTB's ability to print 76.5 million pages for 20 million notices annually.
- Maintains high-availability printing operation with two printing lines implemented prior to EOL in December 2024.
- Continues printing for COD, DMV, and back-up printing services for SCO.

Cons:

- Implementation costs, hardware and software costs, and ongoing maintenance costs.

Alternative 2: Do nothing: Run unsupported. FTB continuing with print operations past the EOL date of December 31, 2024 introduces a high risk to FTB's administration of filing, accounts receivable, audit, and non-tax programs, which may negatively impact the General Fund.

Pros:

- No initial outlay of funding for new print systems.

Cons:

- Decreased performance and reliability of hardware and software due to age.
- Interruptions to print services will have significant impact to FTB's upstream IT and business partners as more time is dedicated to triaging incidents and developing and implementing workarounds and exceptions in order to resume operations.
- Unavailability of professional services for support and maintenance from Canon (manufacturer) requiring FTB to solicit support and maintenance at a premium cost from non-OEM (original equipment manufacturer) third-party vendors.
- Costly and limited availability of professional services for support and maintenance from a third party.
- Parts and materials needed for preventative maintenance and remediation will become scarce, then unavailable, resulting in system outages and inability to print.
- FTB will eventually have to look to outsource the workload or purchase new print systems.

G. Implementation Plan

Phase I

³ Click charges are a measure used in the printing industry to track print system usage, which factors into maintenance costs and preventative maintenance schedules.

- July 2023 – Receive fiscal year 23-34 funding.
- July 2023 – Purchase first print system.
- December 2023 – First print system installation completed.
- January 2024 – Acceptance testing completed.
- January 2024 – First print system placed into production.

Phase II

- July 2024 – Receive fiscal year 24-25 funding.
- July 2024 – Purchase second print system.
- October 2024 – Second print system installation completed.
- November 2024 – Acceptance testing completed.
- November 2024 – Second print system placed into production.

H. Supplemental Information

None.

I. Recommendation

Alternative 1: Approve FTB's request for \$2,199,000 General Fund and \$33,000 special funds in 2023-24 and 2024-25; \$99,000 General Fund and \$2,000 special funds in 2025-26, and ongoing to replace the high-speed print systems and software that FTB uses to print FTB's notices, bills, and correspondence.

This alternative best ensures FTB's continued success in delivering timely notices, bills, and correspondence to California taxpayers, which in turn informs taxpayers and generates revenue for the State of California. Based on the volumes and time sensitivity of documents FTB prints, retaining print operations at FTB allows for high-availability printing, maximum flexibility in managing workloads, and the ability for FTB to assist other state departments with their printing workloads. Updating FTB's extensive high-speed, industrial print systems strengthens FTB's 24x7x365 print operations for the next seven to 10 years and solves the EOL issue before December 31, 2024.

BCP Fiscal Detail Sheet

BCP Title:

BR Name:

Budget Request Summary

Personal Services

Pending Board Approval