

**STATE OF CALIFORNIA**  
**Budget Change Proposal - Cover Sheet**  
 DF-46 (REV 07/23)

<b>Fiscal Year</b> 2024-25	<b>Business Unit Number</b> 7730	<b>Department</b> Franchise Tax Board
<b>Hyperion Budget Request Name</b> 7730-005-BCP-2024-GB		<b>Relevant Program or Subprogram</b> 6280

**Budget Request Title**  
 Contact Center Platform and Customer Callback Software

**Budget Request Summary**

The Franchise Tax Board (FTB) requests an augmentation of \$1,266,000 General Fund in Fiscal Year (FY) 2024-25; \$1,036,000 General Fund in FY 2025-26; and \$1,175,000 General Fund in FY 2026-27 and ongoing, to fund increased costs for FTB's Contact Center Platform (CCP) software subscriptions and application support services and refresh the CCP integrated customer callback software. CCP and the customer callback software allows FTB to provide self-service options and customer service channels that help taxpayers file timely and accurate tax returns and pay the correct amount of tax.

<b>Requires Legislation (submit required legislation with the BCP)</b> <input type="checkbox"/> Trailer Bill Language <input checked="" type="checkbox"/> Budget Bill Language <input type="checkbox"/> N/A	<b>Code Section(s) to be Added/Amended/Repealed</b>
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<b>Does this BCP contain information technology (IT) components?</b> <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No <i>If yes, departmental Chief Information Officer must sign.</i>	<b>Department CIO</b>	<b>Date</b>
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**For IT requests, specify the project number, the most recent project approval document (FSR, SPR, S1BA, S2AA, S3SD, S4PRA), the approval date, and the total project cost.**

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

**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.*

<b>Prepared By</b>	<b>Date</b>	<b>Reviewed By</b>	<b>Date</b>
<b>Department Director</b>	<b>Date</b>	<b>Agency Secretary</b>	<b>Date</b>

**Department of Finance Use Only**

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

<b>Principal Program Budget Analyst</b>	<b>Date submitted to the Legislature</b>
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## **A. Problem Statement**

The Franchise Tax Board (FTB)'s Contact Center Platform (CCP) software subscription and application support service contract has increased in cost. Additionally, the CCP's integrated customer callback software is reaching end of life (EOL) and must be refreshed. CCP and customer call back software are critical components of FTB's contact center and allow FTB to provide self-service options and customer service channels that help taxpayers file timely and accurate tax returns and pay the correct amount of tax. Without these components, there would be an increase in calls received by FTB's contact center agents that FTB is not staffed to answer (millions of taxpayers that self-serve today through our Interactive Voice Response (IVR) System will now need to speak to an agent for assistance), increase in toll costs for FTB, longer hold times for callers, and an overall diminished customer experience.

FTB requests an augmentation of \$1,266,000 General Fund in Fiscal Year (FY) 2024-25; \$1,036,000 General Fund in FY 2025-26; and \$1,175,000 General Fund in FY 2026-27 and ongoing, to fund increased costs for FTB's CCP software subscriptions and application support services and refresh the customer callback software.

### **Contact Center Platform**

FTB's CCP was implemented in 2007. CCP consists of various software products that enable the department to effectively conduct business with taxpayers by providing various self-service capabilities that assist taxpayers in meeting their tax filing and payment obligations. For instance, taxpayers can utilize FTB's Interactive Voice Response (IVR) system to check refund status, make payments, and set up installment agreements. IVR is a self-serve software that allows taxpayers to resolve questions without speaking to a live agent. In FY 2022/23, approximately 3,790,000 taxpayers were served by the IVR to get the information they need and therefore did not need to speak to an agent. This software also allows taxpayers to utilize FTB's Live Chat to resolve specific account-related issues or to ask general questions by chatting to an agent in real-time. Live Chat is a secure online platform accessible through FTB's public website. Through CCP, taxpayers can also receive SMS texts and email notifications when a new notice becomes available in their MyFTB online account or when a representative submits a Power of Attorney through MyFTB and needs approval.

FTB's CCP software subscription and application support contract provides FTB with 24/7 support, critical software updates, and assistance in resolving technical issues. Annual costs to extend and continue the service subscription exceeds current baseline funding and FTB is unable to continue to absorb these increased costs without program impacts.

### **Customer Callback Software**

In 2010, FTB implemented Virtual Hold Technology (VHT), which is an automated customer callback software that interfaces with CCP. With VHT, taxpayers and tax professionals can avoid waiting on hold by opting to receive a callback from an agent without losing their place in a virtual queue. Callers are offered VHT if the estimated wait time is two minutes or longer. VHT is approaching EOL on December 31, 2023, and will need to be refreshed.

VHT supports FTB's Taxpayer Services Call Center, Tax Practitioner Hotline, as well as Tax and Non-Tax Collection calls. Table 1 below shows VHT statistics over the last five fiscal years. On average, each year 1.2 million callers, 80%, opt for a callback through VHT instead of waiting on hold.

**Table 1. VHT Statistics for FY 2018/19-2022/23**

Fiscal Year	Number of Callers Offered VHT Option	Callers who Opted to Hold	Callers who Opted for a Callback	Percent of Callers who Opted for a Callback
2018-19	1,759,950	368,108	1,391,842	79%
2019-20	1,271,663	276,593	995,070	78%
2020-21	1,449,472	295,939	1,153,533	80%
2021-22	1,575,294	285,135	1,290,159	82%
2022-23	1,404,112	278,184	1,125,928	80%
Total	7,460,491	1,503,959	5,956,532	80%

**B. Justification**

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 Californians, 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 2022-23, FTB processed more than 21.6 million tax returns, over 7.8 million payments, responded to more than 2.8 million telephone calls, serviced over 77 million internet contacts, and collected about \$125 billion in revenue, representing approximately 74 percent of California's General Fund revenue<sup>1</sup>. The General Fund provides funds to maintain and improve necessary services for all Californians across the state, including, but not limited to education, safety and welfare programs, and law enforcement.

FTB provides direct service and guidance to millions of Californians annually to enable them to meet their obligation to file and pay the correct amount of tax voluntarily. FTB's goal is to provide taxpayers and tax professionals with the help they need to resolve their tax questions at the first point of contact. FTB provides customer service through four primary channels:

1. Telephone: Service is provided via two methods:
  - a. IVR – Available 24/7
  - b. Agents - The customer service call center is operative Monday through Friday, 8:00 AM to 5:00 PM.
2. Live Chat via the Internet: Chat is operative Monday through Friday, 8:00 AM to 5:00 PM.
3. Written Correspondence: Correspondence can be sent and received via the internet or postal delivery services.
4. Self-service Internet Applications: Website and MyFTB are available 24/7.

California's tax system is based on voluntary compliance, meaning California taxpayers voluntarily commit to file their return and pay their tax obligations. Therefore, it is essential that FTB maintains the CCP contract and customer callback software to allow reliable self-service options and customer service channels that taxpayers can use to stay compliant.

<sup>1</sup> Revenue figures base on the 2022-23 Cash Report reported in the Department of Finance's July 2023 Finance Bulletin.

## Contact Center Platform

Costs are expected to increase annually beginning FY 24/25 for FTB's current CCP software subscription and application support service. Without an active subscription and support agreement in place, FTB would be unable to resolve issues impacting CCP. Issues with the platform could prevent callers from utilizing IVR self-services to check refund status, make payments, or set up installment agreements. Additionally, taxpayers may be unable to access Live Chat or connect with an agent by phone.

If taxpayers cannot reach FTB for assistance, this could prevent them from timely filing their returns or cause delays in making payments. Self-service options and other customer service channels not only aid taxpayers but are essential to the success of California's voluntary compliance tax system. Taxpayers who receive answers to their questions can fulfill their filing obligations and pay their liability in-full or negotiate other payment arrangements.

Approval of this proposal ensures that FTB can continue to provide a variety of customer service options to assist taxpayers with filing timely and accurate returns and paying the correct amount of tax.

## Customer Callback Software

VHT will reach EOL on December 31, 2023, and the vendor has agreed to extend support through June 30, 2024. However, the customer callback software must be refreshed for FTB to continue providing this option to taxpayers. Supported software is required for FTB to receive critical updates. Without these updates the software becomes vulnerable to security risks and/or performance issues.

If the customer callback software is not refreshed, taxpayers and tax professionals would experience longer hold times, which may cause them to hang up and call back, or simply end the call before getting through to an agent. As a result, FTB's call centers could see an increase in calls resulting from callers hanging up and calling back as well as an increase in abandoned calls when callers hang up prior to reaching an agent. This not only leads to a poor customer experience but also makes it difficult for taxpayers to stay compliant. Additionally, FTB could also incur increased toll costs, a cost incurred by FTB for its use of a toll-free number, while customers wait on hold. This amount is calculated as a fee per minute, based on the length of time callers remain on hold. By refreshing FTB's callback software, FTB can continue to provide a callback option to taxpayers and tax professionals who choose to speak directly to an agent to resolve an issue.

This request includes implementation costs for the refresh in FY 24/25 and ongoing annual maintenance costs. Recently, costs for telecommunication and networking services and products have increased significantly and that is what is driving the cost increase for refreshing this component of the customer contact platform.

The funding requested in this proposal will cover the increased costs to renew the CCP software and support contract, as well as refresh the customer callback software. Without increased funding, FTB will need to reconsider the level of services FTB can afford with our baseline budget or may need to identify business processes that can be accomplished with fewer staff to redirect funds to cover current contract costs, which can potentially have negative operational impacts.

The primary function of the FTB is to administer the Revenue and Taxation Code (R&TC). Tax policy is determined by tax laws enacted by the Legislature, and it is FTB's duty to correctly apply the laws and to perform in a fair and impartial manner. The California Taxpayer's Bill of

Rights Act codified many existing FTB procedures, established a Taxpayer's Rights Advocate, and clarified rights for all California taxpayers and FTB's obligations to the taxpayers. The policies and principles guiding FTB ensures the R&TC will be administered with fairness and equity for all California taxpayers. As a result, for this proposal, FTB is not aware of any equity issues this proposal addresses or that this proposal would result in un-equitable impacts.

### C. Departmentwide and Statewide Considerations

FTB's administration of California's income tax laws are 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 FTB's Foundational Principles and values.

FTB's CCP and customer callback software supports self-service options and customer service channels which supports FTB's mission to help taxpayers file timely and accurate tax returns and pay the correct amount of tax. It aligns with two of FTB's Strategic Goals.

**Goal #1: Exceptional Service** states that FTB will "Strive to continuously enhance our customers' experience." FTB's CCP provides taxpayers and their representatives self-service options that allow them to make payments, check the status of their refund, complete installment agreements, and chat or speak with a customer service agent. Callbacks improve the customer experience by allowing callers to receive a callback when it is their turn to speak to an agent.

**Goal #4: Operational Excellence** states that FTB will "Optimize our processes, products, services, and resources to better serve our internal and external stakeholders." FTB's CCP optimizes self-service options using the IVR system, Live Chat, and automated SMS texts and email notifications. Customer callbacks streamline FTB's call centers.

### D. Outcomes and Accountability

This proposal will allow FTB to provide expedient self-service options and customer service channels to help taxpayers file timely and accurate tax returns and pay the correct amount of tax.

The management of resources received from this proposal will be the responsibility of the Chief Information Officer (CIO) or a delegate. The fiscal oversight of the resources is the responsibility of both the CIO and the Chief Financial Officer.

The FTB will continue to carry out its mission in a manner that is fair, equitable and consistent with the California Taxpayer's Bill of Rights Act.

### E. Implementation Plan

- July 2024: Receive fiscal year 2024-25 funding.
- August 2024: Award contract.
- August 2024-September 2020: Work with vendor to implement replacement callback software.
- October 2024: Move callback service from Virtual Hold to replacement software solution.
- November 2024: Uninstall Virtual Hold software.

**F. Supplemental Information (If Applicable)**

None.

Pending Board Approval

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