

STATE OF CALIFORNIA

FRANCHISE TAX BOARD

PUBLIC MEETING

MONDAY, SEPTEMBER 9, 2024

1:00 P.M.

GERALD GOLDBERG AUDITORIUM

9646 BUTTERFIELD WAY

SACRAMENTO, CALIFORNIA

STENOGRAPHICALLY REPORTED BY:

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APPEARANCES

BOARD MEMBERS

HASIB EMRAN
Deputy State Controller, Taxation

SALLY J. LIEBER
Chairperson
Board of Equalization

MICHELE PERRAULT
Chief Deputy Director, Policy
Department of Finance

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STAFF

SELVI STANISLAUS
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CRISTINA RUBALCAVA
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SHANE HOFELING
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MICHAEL BANUELOS

JENNIFER BARTON

ERIN DENDORFER

JEANNE HARRIMAN

ROGER LACKEY

DARYL LEE

THI LUONG

MINA MOHADDESS

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APPEARANCES CONTINUED

STAFF

SCOTT REID

LASARO SALDANA

RICHARD SIEMERS

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PUBLIC PARTICIPANTS

DANIELLE BAUTISTA
United Ways of California

CHRISTINE GRAB
Taxpayer

TERI OLLIE
Economic Security California

VANESSA OROZCO
Golden State Opportunity

STEPHANIE RUSCIGNO
Disabled American Veterans Volunteer

LINDA SWANK
End Child Poverty in California

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SACRAMENTO, CALIFORNIA

MONDAY, SEPTEMBER 9, 2024, 1:00 P.M.

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DEPUTY STATE CONTROLLER EMRAN: Okay. Good afternoon. Good afternoon, everyone.

Welcome to the scheduled time for the meeting of the Franchise Tax Board. My name is Hasib Emran. I'm the California Deputy State Controller. I'll be filling in for our State Controller, Malia Cohen.

To my left is Member Lieber, Chair of the California State Board of Equalization. And to my right is Member Perrault, from -- representative from the Department of Finance.

So we're going to start off here to see if a quorum is present.

Would the Board Liaison please call the roll to determine if a quorum is present, please.

MS. RUBALCAVA: Member Lieber.

MEMBER LIEBER: Here.

MS. RUBALCAVA: Member Perrault.

MEMBER PERRAULT: Here.

MS. RUBALCAVA: Deputy State Controller Hasib Emran.

DEPUTY STATE CONTROLLER EMRAN: Here.

So at least two members or their designated

1 representatives being personally present, there is a
2 quorum, and the Franchise Tax Board is now in session.

3 May you all, if you can, please stand and join me
4 in the Pledge of Allegiance.

5 We can begin: "I pledge allegiance..."

6 (Pledge of Allegiance was recited in unison.)

7 DEPUTY STATE CONTROLLER EMRAN: Thank you. Thank
8 you for that.

9 And so, welcome to the Franchise Tax Board's
10 Board meeting.

11 The public -- just some housekeeping items here.
12 The public has the right to comment on each agenda item.
13 If there are any members of the public wishing to speak
14 on an item, please come forward when the item is called,
15 and you will have three minutes to address the Board.

16 For today's meeting, members of the public who
17 wish to comment via teleconference, please call
18 1-844-867-6169 and enter the access code of 5414911.
19 Once again, 5414911.

20 Please be aware that there is a short delay
21 between the Web live stream and the live event. If
22 there are any members of the public wishing to speak on
23 an item and you are using a translator or a translating
24 service, you will have six minutes to address the Board.
25 All speakers will be asked to identify yourself for the

1 record.

2 So moving on, we're going to start with our first
3 item of the day, the approval of the Board meeting --
4 of the Board meeting minutes from the June 2024
5 Franchise Tax Board meeting. I'm going to look to my
6 members.

7 Do you have any questions or comments here?

8 (No response.)

9 DEPUTY STATE CONTROLLER EMRAN: Thank you.

10 Can we go to public comment, please.

11 Is there anybody in the auditorium here that
12 wants to speak on Agenda Item Number 1?

13 (No response.)

14 DEPUTY STATE CONTROLLER EMRAN: Seeing none, can
15 we go to the phone line.

16 Operator, is there anybody on the line for Agenda
17 Item Number 1, Board meeting minutes?

18 PHONE MODERATOR: Members of the public on the
19 phone lines, if you would like to place yourself in the
20 queue for public comment, as a reminder, you may press
21 1, then 0, at this time.

22 (No response.)

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

25 Please continue.

1 DEPUTY STATE CONTROLLER EMRAN: Thank you,
2 Operator.

3 Members, do I have a motion for the approval of
4 the minutes?

5 MEMBER PERRAULT: So moved.

6 MEMBER LIEBER: (No audible/verbal second.)

7 DEPUTY STATE CONTROLLER EMRAN: Thank you.

8 Moved by Member Perrault. Seconded by Member
9 Lieber.

10 Board Liaison, can you please call the roll.

11 MS. RUBALCAVA: Member Lieber.

12 MEMBER LIEBER: Aye.

13 MS. RUBALCAVA: Member Perrault.

14 MEMBER PERRAULT: Aye.

15 MS. RUBALCAVA: Deputy State Controller Hasib
16 Emran.

17 DEPUTY STATE CONTROLLER EMRAN: Aye.

18 So thank you.

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

21 So we're going to move on now to Agenda Item
22 Number 2, Administrative Matters.

23 First we have Thi Luong and Jennifer Barton
24 presenting the 2025-26 Budget Change Proposals, BCP for
25 short, which is a Board approval item.

1 Michael Banuelos will then present a request for
2 Board approval of the two contracts over \$2 million,
3 followed by a presentation of a facility action request
4 for a Board approval by Richard Siemers.

5 So, Thi and Jennifer, when you are ready, please
6 present.

7 MS. LUONG: Perfect. Thank you.

8 Good afternoon, Board Members. My name is Thi
9 Luong, Financial Management Director here at FTB. And
10 today I'm joined by Jennifer Barton, our Assistant
11 Director.

12 We're here today to present the FTB's seven
13 Fiscal Year '25-'26 Budget Change Proposals for your
14 approval.

15 We will provide a brief overview of each proposal
16 and then answer any questions you may have.

17 Our first proposal is for the Enterprise Data to
18 Revenue Phase 2, also known as EDR2.

19 The start of Fiscal Year '25-'26 will see FTB
20 enter into the fifth year of the EDR2 project.

21 We will continue to build on the foundations set
22 by EDR for centralizing our technology solutions that
23 support our key business functions.

24 EDR2 will expand enterprise case management and
25 modeling services for Audit, Legal, Filing Enforcement,

1 and Accounts Receivable functions, as well as expand on
2 our customer service tools.

3 Following the statewide process to support
4 funding for larger projects, an annual BCP is required
5 for new costs related to that year.

6 This year's proposal is requesting an
7 augmentation of \$107.1 million and includes funding for
8 42 permanent positions and four limited-term positions.

9 The request also includes \$95.2 million for
10 payment to the Solution Partners.

11 Costs within this BCP can be ongoing, limited
12 term, or one time, as noted within the BCP narrative.

13 During the fifth year, FTB is requesting
14 resources to support various stages of work in data
15 analytics tools and models; enhanced data capture; data
16 management; and oversight functions, including
17 independent verification and validation, quality
18 assurance, and an independent security assessment.

19 Our second proposal is for Political Reform
20 Audit, or PRA, program resources. The request is for an
21 augmentation of \$2.1 million and 14 permanent positions
22 in Fiscal Year '25-'26 and ongoing for the PRA program
23 to timely and effectively complete mandated audits as
24 required by the Political Reform Act of 1974.

25 Since the year 2000, there have been ten

1 significant acts, bills, and regulation changes that
2 have led to an increase in the PRA workloads without a
3 corresponding increase in resources.

4 As a result, FTB has only been able to complete a
5 minimal portion of this important mandated work.

6 FTB's inability to adequately administer the
7 program hinders the Political Reform Act's goal of
8 instilling public trust in California's elected
9 officials and initiative campaigns, which is vital to
10 the citizens of California and the transparency that
11 California's government mandates.

12 Compliance with the law is obtained by the
13 presence of formal auditing that includes the potential
14 enforcement, education, warning letters, and fines.

15 These resources are needed to adequately staff
16 the PRA program to complete this important work.

17 Please note, California Government Code section
18 90006 provides that audits and investigations of
19 candidates for the Controller and the California Board
20 of Equalization are conducted by the Fair Political
21 Practices Commission instead of the FTB.

22 The third proposal is for the Financial
23 Information Systems for California, also known as FI\$Cal
24 2.0, and it's requesting an augmentation of \$900,000 and
25 six permanent positions in Fiscal Year '25-'26 and

1 ongoing to continue supporting FI\$Cal and comply with
2 statewide budget management and accounting policies.

3 Back in July of 2018, the FTB implemented FI\$Cal,
4 California's statewide accounting, budget, cash
5 management, and procurement system.

6 FI\$Cal revised processes, deployed new required
7 rules, added new review layers, and necessitated the
8 collection and categorization of more data to provide
9 additional transparency for statewide financial
10 reporting.

11 Due to these changes, FTB staffing was
12 temporarily and permanently augmented in Fiscal Year
13 '19-'20.

14 With the expiration of temporary resources
15 received in '19-'20, FTB began experiencing backlogs and
16 was constantly juggling priorities, resulting in all
17 mandated workloads not being performed timely nor
18 thoroughly.

19 To address these issues, FTB submitted a
20 subsequent BCP for Fiscal Year '22-'23 and received six
21 three-year, limited-term resources.

22 However, those temporary resources are now
23 expiring while the workload demands remain. As such,
24 FTB is requesting to convert six three-year,
25 limited-term positions that were granted in '22-'23 to

1 permanent positions and to upgrade a position to address
2 existing workload demands.

3 I will now turn over to Jennifer to cover
4 Proposals 4 through 7.

5 MS. BARTON: Thank you, Thi.

6 And good afternoon, Board Members.

7 The fourth proposal is for Campus Security Guards
8 and requests \$3.4 million in Fiscal Year '25-'26 and
9 ongoing to fund increased costs for the Central Office
10 Security Guards and procure Security Guards for the
11 Santa Ana Field Office.

12 Security and safety are essential functions that
13 protect FTB's facilities, equipment, and data, and
14 ensure the safety of its employees, vendors, and
15 visitors.

16 An internal or external threat could cause
17 disruption to FTB's operations, thus adversely affecting
18 our ability to process returns, issue refunds, or
19 collect taxes.

20 This augmentation will enable FTB to retain
21 qualified security for monitoring and protecting FTB's
22 vital infrastructure, work processes, and staff.

23 The fifth proposal is for the mainframe storage
24 hardware and software refresh and requests an
25 augmentation of \$2.9 million in Fiscal Year '25-'26 and

1 '26-'27 to refresh FTB's mainframe storage components
2 reaching end of life.

3 When a component reaches end of life, significant
4 risks present, as there's no guarantee that components
5 or parts can be repaired or replaced, and technical
6 support is limited or not available at all.

7 The components provide storage infrastructure
8 that is essential to FTB's multiple mission-critical tax
9 and nontax applications that support its filing,
10 collections, audit, and nonfiler processes, as well as
11 Web self-services. These applications have a
12 substantial dependency on the data that resides within
13 the storage components.

14 If the components are not refreshed before they
15 reach end of life, FTB may not be able to timely process
16 tax returns, payments, or issue tax refunds; may
17 experience failures in systems that house vital and
18 confidential information; may not be able to recover
19 data after a disaster or ransomware attack; or provide
20 long-term data retention.

21 The sixth proposal is for the Contact Center
22 Platform and Customer Callback Software Refresh, which
23 requests \$1.7 million in Fiscal Year '25-'26 and ongoing
24 to fund increased costs for FTB's Contact Center
25 Platform, also called CCP; software subscriptions and

1 services; and to refresh FTB's Customer Callback
2 software that has reached end of life.

3 CCP and Customer Callback software are critical
4 components of FTB's Contact Center and allow FTB to
5 provide self-service options and additional customer
6 service channels. Without these components, there would
7 be an increase in calls received by FTB's Contact Center
8 that FTB is not staffed to answer.

9 This would result in increased toll costs for
10 FTB, longer hold time for callers, and an overall
11 diminished customer experience.

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

16 Our final proposal is for field office leases,
17 which requests \$1 million in Fiscal Year '25-'26 and
18 ongoing to fund increased costs for the Van Nuys, New
19 York, and Houston Field Office leases to provide
20 adequate office space for staff, storing confidential
21 documents, securing IT equipment, and to meet the needs
22 of health and safety requirements.

23 The FTB Audit Division maintains field offices
24 throughout California and in three out-of-state
25 locations. The field offices are headquarters for Audit

1 staff that perform income tax examinations of individual
2 and business entity taxpayers.

3 Field offices enable Audit staff to perform their
4 examination in the location where the taxpayers'
5 business operations occur and supporting documents are
6 located.

7 Physical presence in the field allows FTB to
8 conduct its audit program more efficiently by reducing
9 travel costs and allowing in-person meetings with
10 taxpayers and on-site visits that facilitate resolutions
11 of more complex examinations.

12 The Van Nuys, New York, and Houston office leases
13 will be expiring before or during Fiscal Year '25-'26.
14 FTB has been working with the Department of General
15 Services to identify new office space in these locations
16 to relocate the Audit staff. Relocating allows FTB to
17 address space deficiencies and obtain the critical space
18 needed to operate effectively.

19 At this time, we would like to request your
20 approval of all seven proposals, and, as always, we
21 thank you for your support and are happy to answer any
22 questions you may have.

23 DEPUTY STATE CONTROLLER EMRAN: Thank you,
24 Jennifer and Thi. I want to extend my appreciation for
25 all your hard work during this budget process. It is

1 very, very important. Seems like there's a lot of good
2 initiatives on the board.

3 I'm going to turn to my members here if there's
4 any questions.

5 Yes, Member Lieber.

6 MEMBER LIEBER: Thank you.

7 I wanted to go back to Item 3, dealing with
8 FI\$Cal. And so every day we hear about different major
9 agencies that are really struggling with FI\$Cal.

10 And where does all that information get folded
11 into?

12 MS. LUONG: Thank you for the question.

13 FTB has been closely collaborating with SCO as
14 well as the FI\$Cal project to successfully bring these
15 processes into our environment. So it continues to
16 evolve, right? So FTB implemented FI\$Cal in 2018, and
17 we are part of the statewide work group that continues
18 to meet regularly to actually talk through these
19 processes.

20 So as we bring those new processes in -- where at
21 the intersection with the proposal is that the processes
22 are really meant to add more review and to ensure more
23 data is captured for transparency. So those are all
24 good things.

25 However, they just take additional time for those

1 review layers and also to make sure that all of the
2 coding is correct. So that's where the BCP comes in is
3 to convert those limited-term resources that we've been
4 very successful in using, you know, in delivering and
5 implementing FI\$Cal as partners of SCO. But those
6 positions are expiring, and we're just asking for -- to
7 convert them to permanent so that we can keep up the
8 good work.

9 MEMBER LIEBER: Um-hmm. Definitely.

10 And is there a foreseeable point in the future
11 when FI\$Cal would be robust enough to deal with the
12 increased accounting needs?

13 MS. LUONG: Yeah, I think on some level that the
14 accounting -- FI\$Cal, I believe, is continuing to get
15 more robust, right? However, the need always is
16 remaining. So when I kind of think about the changes
17 that are coming, that was one of the reasons why the --
18 three years ago, when we asked for the permanent
19 solution, it was granted as LTs, in hope that, as this
20 smooths out, we will see some efficiencies.

21 We are not quite there yet. So in the meantime,
22 right, the work remains, and that's why we do need these
23 positions.

24 MEMBER LIEBER: Okay. Thank you.

25 MS. LUONG: Yeah. Thank you for the question.

1 DEPUTY STATE CONTROLLER EMRAN: Thank you, Member
2 Lieber.

3 I have -- I have just a few questions myself too.

4 In regards to the Political Reform Audits, I
5 understand that there's going to be an Administrator I
6 Supervisor position to be filled. Just asking about the
7 recruitment efforts in that.

8 Is it going to be internal? In-house? Is it
9 going to be a transfer? And how that position -- how
10 you are looking to fill that position for the
11 Administrative I Supervisor.

12 MS. LUONG: Yeah. Thank you -- thank you for the
13 question.

14 So all of our positions at FTB go through the
15 competitive hiring process. So there will be a job op
16 in order to get the position filled. If we are
17 fortunate enough to get those positions, that Supervisor
18 position is needed to support the additional staff
19 workloads that are coming.

20 DEPUTY STATE CONTROLLER EMRAN: Understood.
21 Thank you.

22 And then I wanted to move on.

23 One question about the field office leases: It
24 appears that the Van Nuys Office lease is the most
25 urgent, as it ended in June of this year, and we are now

1 operating on a month-to-month basis.

2 Has the Department of General Services, DGS,
3 indicated when we can begin a new lease and for what
4 term that will operate?

5 MS. BARTON: Great questions.

6 Yeah, we're targeting for March 2025 to move into
7 the new location in Van Nuys; then we are looking to
8 execute an eight-year term agreement.

9 DEPUTY STATE CONTROLLER EMRAN: Thank you for
10 that. And my very, very last question about campus
11 security.

12 I understand that there's a need for campus
13 security, especially at the Santa Ana Field Office. My
14 question is -- concerns the length of time that you
15 allot funds for the third-party vendor. It appears to
16 extend to about 2030.

17 Do you believe that -- do you believe the need
18 for this long-term extension in order to secure the
19 contract with the third-party vendor?

20 MS. BARTON: So right now, the contract that
21 we're in is a three-year contract with the third-party
22 vendor through 2026.

23 DEPUTY STATE CONTROLLER EMRAN: And then it will
24 be extended another three years? Four years?

25 MS. BARTON: It could be.

1 DEPUTY STATE CONTROLLER EMRAN: Is that a typical
2 process?

3 MS. BARTON: It could be. But we would address
4 that at the point in time when we need to renew those
5 contracts.

6 DEPUTY STATE CONTROLLER EMRAN: Understood.
7 Thank you so much.

8 MS. BARTON: Okay.

9 DEPUTY STATE CONTROLLER EMRAN: So now, seeing
10 that there's no other questions from the Board Members
11 here on stage, can we go to members of the public in
12 person.

13 (No response.)

14 DEPUTY STATE CONTROLLER EMRAN: Seeing none, can
15 we go to operator, AT&T operator.

16 Is there anybody on the line wishing to speak on
17 this item, Agenda Item Number 2?

18 PHONE MODERATOR: Members of the public on the
19 phone lines, if you would like to place yourself in the
20 queue for public comment, as a reminder, you may press
21 1, then 0, at this time.

22 (No response.)

23 PHONE MODERATOR: No members of the public are
24 queuing up at this time. Please -- oops.

25 We do have someone that just queued up. We have

1 Christine Garb [sic], with individual taxpayer.

2 Please go ahead.

3 MRS. GRAB: Hi. I just have a question on
4 FI\$Cal.

5 Are -- is the Franchise Tax Board taking the
6 entire burden of FI\$Cal itself, or does each department
7 contribute financially to FI\$Cal?

8 DEPUTY STATE CONTROLLER EMRAN: Thank you,
9 Caller.

10 Is that your question? And if so, the
11 Franchise --

12 MRS. GRAB: Yes.

13 DEPUTY STATE CONTROLLER EMRAN: -- Tax Board will
14 be responding to you within a short notice of time.
15 Thank you for your comments today.

16 MRS. GRAB: Okay. I made -- I made comments at
17 the last Board meeting, and nobody ever got back to me
18 with answers to those questions.

19 So could they also get back to me with the
20 questions from last time as well?

21 DEPUTY STATE CONTROLLER EMRAN: Absolutely.
22 Absolutely. I will -- I will take that upon myself to
23 make sure that your answers are -- your questions are
24 answered. And we'll be reaching out shortly. Thank
25 you.

1 Does any -- Operator, is any other caller on the
2 line?

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

5 Please continue.

6 DEPUTY STATE CONTROLLER EMRAN: Thank you,
7 Operator.

8 I'm going to look to my members.

9 Is there a motion on the request to approve the
10 Budget Change Proposals?

11 MEMBER LIEBER: I will move.

12 DEPUTY STATE CONTROLLER EMRAN: So moved by
13 Member Lieber.

14 And I will go ahead and second.

15 May we call the roll, please.

16 MS. RUBALCAVA: Member Lieber.

17 MEMBER LIEBER: Aye.

18 MS. RUBALCAVA: Member Perrault.

19 MEMBER PERRAULT: Abstain.

20 MS. RUBALCAVA: Deputy Controller Hasib Emran.

21 DEPUTY STATE CONTROLLER EMRAN: Aye.

22 So thank you. That motion passes by majority.

23 Yes, Member Lieber.

24 MEMBER LIEBER: Mr. Chair, if I might beg your
25 indulgence for a minute.

1 Since we still have the staff here that -- on the
2 FI\$Cal question that was posed about is -- how is the
3 budgeting for this done, and is each department budgeted
4 a certain amount for FI\$Cal? Or is there one overall
5 amount that is -- accrues to Finance or someone else?

6 Please.

7 DEPUTY STATE CONTROLLER EMRAN: Yes, Member
8 Perrault.

9 MEMBER PERRAULT: I can respond to that.

10 So each agency that is under FI\$Cal, it's -- is
11 responsible for whatever portion of which -- it is a
12 cost -- it's a shared cost. Costs all the departments
13 who utilize it. And obviously the plan is to have all
14 departments on board under FI\$Cal, you know, in short
15 order. But it is -- it is parceled by each -- each
16 department. So there's a responsibility based on size
17 and need and, you know, what their accounting looks
18 like.

19 MEMBER LIEBER: Thank you.

20 DEPUTY STATE CONTROLLER EMRAN: Thank you, Member
21 Lieber.

22 Thank you, Member Perrault.

23 And I want to thank Thi and Jennifer for their
24 presentation.

25 Next we are going to have Michael Banuelos

1 seeking Board approvals for two contracts over
2 \$2 million.

3 Michael, whenever you are ready.

4 MR. BANUELOS: Good afternoon, Board Members. My
5 name is Michael Banuelos, and I am the Director of the
6 Franchise Tax Board's Procurement Bureau.

7 I'm here today to present two proposed
8 procurements that will result in contracts over
9 \$2 million for the Board's approval.

10 Our first request seeks approval to enter into an
11 enterprise agreement for Cisco products. FTB's network
12 is comprised of upwards of 6,000 Cisco products,
13 including telephones, network switches, routers,
14 firewalls, voice and video equipment, and security
15 equipment.

16 Many critical public facing-applications,
17 including MyFTB, WebPay, and CalFile rely on our
18 network.

19 Cisco tools are critical to our internal daily
20 operations and our ability to process taxes and provide
21 critical services to California taxpayers.

22 FTB currently has multiple individual contracts
23 for Cisco goods and services, including support. This
24 effort seeks to combine the goods and services into one
25 contract which we believe will provide efficiencies for

1 the department.

2 We also anticipate that by leveraging our
3 purchases into one five-year contract, we may also see
4 an overall cost savings. Without this agreement, we can
5 continue to support our network; however, we would
6 continue to have multiple agreements and would lose the
7 opportunity to leverage our purchasing power. We are
8 proposing a five-year agreement estimated at
9 approximately \$11.7 million.

10 Our second request is for the Board's approval to
11 renew our software subscription and support contract for
12 IBM software products. IBM's Passport Advantage program
13 is one of IBM's programs geared towards larger
14 organizations. This agreement includes licenses,
15 subscriptions, upgrades, and technical support.

16 The Franchise Tax Board has been using IBM
17 Passport Advantage software for upwards of 20 years.
18 Without this agreement, several of our mission-critical
19 applications, including our Accounts Receivable
20 Collection and Case Management systems, and Audit and
21 Filing Enforcement programs, will be unavailable, thus
22 limiting our ability to process tax returns and serve
23 taxpayers.

24 The current contract expires on December 31st of
25 2024, and the estimated one-year renewal is

1 \$15.7 million. We will work with the Department of
2 Technology to conduct the bid if approved.

3 I am requesting approval to proceed with the
4 proposed procurements and would be happy to answer any
5 questions you may have.

6 DEPUTY STATE CONTROLLER EMRAN: Thank you,
7 Michael. Thank you for your presentation and the work
8 done here as well.

9 I'm going to turn to my members if you have any
10 questions or comments.

11 (No response.)

12 DEPUTY STATE CONTROLLER EMRAN: Seeing none,
13 let's go to the public.

14 Anybody in the auditorium wanted to wish --
15 comment or any questions from Michael's presentation
16 here?

17 (No response.)

18 DEPUTY STATE CONTROLLER EMRAN: Seeing none, can
19 we go to the operator.

20 Operator, is anybody on the line wishing to
21 comment here?

22 PHONE MODERATOR: Members of the public on the
23 phone lines, if you would like to place yourself in the
24 queue for public comment, as a reminder, you may press
25 1, then 0, at this time.

1 (No response.)

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

4 Please continue.

5 DEPUTY STATE CONTROLLER EMRAN: Thank you,
6 operator.

7 Members, is there a motion to recruit -- approve
8 the requests on these contracts?

9 MEMBER LIEBER: (No audible/verbal motion.)

10 DEPUTY STATE CONTROLLER EMRAN: So moved by
11 Member Lieber.

12 MEMBER PERRAULT: Second.

13 DEPUTY STATE CONTROLLER EMRAN: And seconded by
14 Member Perrault.

15 Can we go to the Board call -- roll call, please.

16 MS. RUBALCAVA: Member Lieber.

17 MEMBER LIEBER: Aye.

18 MS. RUBALCAVA: Member Perrault.

19 MEMBER PERRAULT: Aye.

20 MS. RUBALCAVA: Deputy Controller Hasib Emran.

21 DEPUTY STATE CONTROLLER EMRAN: Aye.

22 So that is -- passes by unanimous approval.

23 Thank you, Michael, for your presentation.

24 And then lastly here, on Agenda Item Number 2, we
25 have Richard Siemers seeking Board approval for a

1 facility action request.

2 Richard, please take the podium and present when
3 you are ready.

4 MR. SIEMERS: Good afternoon, Board Members.

5 My name is Richard Siemers from the Business and
6 Human Resources Bureau of the Administrative Services
7 Division.

8 We are requesting the Board's approval to submit
9 a CRUISE to move forward with security enhancements here
10 at our Central Office campus. CRUISE, which stands for
11 Customer Requests: Upgraded Information Sharing
12 Environment, is the form that agencies use to initiate
13 projects with the Department of General Services.

14 An assessment performed by the California
15 Governor's Office of Emergency Services, in 2016,
16 determined the need for these upgrades, which was
17 confirmed by an independent physical security assessment
18 performed by an outside vendor in 2023.

19 The enhancements will include replacing and
20 upgrading the fencing around the Central Office campus,
21 installing and upgrading additional parking lot kiosks,
22 replacing and upgrading the lobby turnstiles, upgrading
23 and adding additional security cameras, increasing
24 camera storage capacity, installing additional speed
25 bumps, and installing stationary and retractable

1 bollards.

2 These security enhancements are intended to
3 increase the physical protection of our critical
4 infrastructure and are a proactive, comprehensive
5 approach against threats and hazards. The cost is
6 estimated at \$42 million.

7 At this time, I would like to request your
8 approval and thank you for your support. And I'm happy
9 to answer any questions that you may have.

10 Thank you.

11 DEPUTY STATE CONTROLLER EMRAN: Thank you,
12 Richard. Appreciate your presentation.

13 And I'm going to turn to my members.

14 Do we have any comments or questions?

15 (No response.)

16 DEPUTY STATE CONTROLLER EMRAN: I did have one
17 comment here, Richard.

18 Can you -- can you explain the phases of the
19 process? How this is going to work? Is it a five-year
20 project? Ten-year project for the construction and
21 upgrades?

22 MR. SIEMERS: The initial phase would be to
23 acquire funding through a CO BCP. And then we plan on
24 this project going over a three-year process, so that we
25 would be using the funds over three fiscal years.

1 DEPUTY STATE CONTROLLER EMRAN: Thank you.

2 And then how does that affect the day-to-day
3 operations here at Franchise Tax Board, if any?

4 MR. SIEMERS: Impact to daily operations?

5 DEPUTY STATE CONTROLLER EMRAN: Correct.

6 MR. SIEMERS: With any type of construction
7 project, there will be some work-arounds. But we don't
8 plan on having any impact to the department itself in
9 regards to our daily operations.

10 DEPUTY STATE CONTROLLER EMRAN: Thank you. Thank
11 you, sir.

12 So let's now turn to members in the auditorium.

13 If you please wish to speak on this item, please
14 step up to the podium. Going once, going twice.

15 (No response.)

16 DEPUTY STATE CONTROLLER EMRAN: Now we'll turn to
17 the phone line.

18 Operator, is there any members of the public
19 wishing to speak on this item on the telephone line?

20 PHONE MODERATOR: Members of the public on the
21 phone lines, if you would like to place yourself in the
22 queue for public comment, as a reminder, press 1, then
23 0, at this time.

24 (No response.)

25 PHONE MODERATOR: No members of the public are

1 queuing up at this time.

2 Please continue.

3 DEPUTY STATE CONTROLLER EMRAN: Thank you,
4 Operator.

5 And I'm going to turn to my members.

6 Is there a motion on the request to approve the
7 facility action request?

8 MEMBER PERRAULT: So moved.

9 DEPUTY STATE CONTROLLER EMRAN: So moved by
10 Member Perrault.

11 MEMBER LIEBER: Second.

12 DEPUTY STATE CONTROLLER EMRAN: Seconded by
13 Member Lieber.

14 Can we call the roll, please.

15 MS. RUBALCAVA: Member Lieber.

16 MEMBER LIEBER: Aye.

17 MS. RUBALCAVA: Member Perrault.

18 MEMBER PERRAULT: Aye.

19 MS. RUBALCAVA: Deputy Controller Hasib Emran.

20 DEPUTY STATE CONTROLLER EMRAN: Aye.

21 So thank you. That motion passes by unanimous
22 approval.

23 I want to thank each presenter on Agenda Item
24 Number 2.

25 And now we're going to move on to Agenda Item

1 Number 3, a regulation matter regarding California Code
2 of Regulations, Title 18, Section 17951-5 and 17951-8,
3 Market Based Source Rulings for Personal Income Tax
4 being presented for Board approval. We have Mina
5 Mohaddess presenting.

6 Mina, whenever you are ready, please take it
7 away.

8 MS. MOHADDESS: Thank you.

9 Good afternoon, Board Members. My name is Mina
10 Mohaddess, and I am an attorney from the Legal Division,
11 Specialized and Individual Tax Bureau.

12 We are seeking the Board's permission to proceed
13 with the formal regulatory process to adopt amendments
14 to Title 18 of the California Code of Regulations,
15 section 17951-5, and to adopt a new regulation at
16 California Code of Regulations, section 17951-8.

17 Together I will refer to these as the "proposed
18 regulatory action."

19 For background, California Revenue and Taxation
20 Code section 17951 provides that nonresident individuals
21 are only subject to California income tax on "gross
22 income sources within this state." When California
23 voters passed Proposition 39 in 2012 market -- excuse
24 me -- California adopted a single sales factor
25 apportionment method and market-based sourcing rules as

1 provided in the Uniform Division of Income for Tax
2 Purposes Act, or UDITPA.

3 In effect, beginning January 1st of 2013,
4 multistate businesses became subject to California
5 income tax based on a percentage of their sales in
6 California, as determined by market-based sourcing
7 rules.

8 California's market-based sourcing rules
9 immediately impacted nonresident individuals with income
10 from a unitary business, trade, or profession, operating
11 within and without this state. In particular,
12 nonresident individuals operating multistate businesses
13 as sole proprietors were now required to source their
14 income from sales of services to California if the
15 benefit of the services was received in California.

16 Currently, there is a need for clarity as to how
17 nonresident directors or board members of corporations
18 should source their nonemployee compensation for
19 California income tax purposes. More specifically, the
20 question is whether the income should be sourced using
21 market-based sourcing rules or sourced in the same
22 manner as employee compensation.

23 Our proposed regulatory action would, one,
24 clarify that market-based sourcing rules apply to
25 nonresident directors' nonemployee compensation from

1 corporations.

2 And, two, clarify that only nonresident employee
3 compensation is sourced to California, based on whether
4 employee performance is -- occurred in California.

5 Our proposed regulatory action is consistent with
6 the FTB sourcing guidance in Chief Counsel Ruling
7 2019-03 on this same issue and California's market-based
8 sourcing rules for nonresident sole proprietors in
9 effect since the passing of Proposition 39 in 2012.

10 Staff held its first interested parties meeting
11 regarding the proposed regulatory action on
12 October 8th of 2020. Staff explained the -- the purpose
13 of the proposed regulatory action and took public
14 comment. The public responded positively to the
15 proposed regulatory action.

16 The proposed regulatory action would provide
17 appropriate criteria and guidance for determining "gross
18 income from sources within this state," as provided in
19 Revenue and Taxation Code section 19 -- 17951.

20 At this time, I would like to request your
21 approval to begin the formal regulatory process under
22 the Administrative Procedure Act.

23 Thank you, Board Members, for your time and
24 support. I'm happy to answer any questions.

25 DEPUTY STATE CONTROLLER EMRAN: Thank you,

1 Ms. Mina, for your presentation. Very well done.

2 And I'm going to turn to my members.

3 Do we have any comments or questions here?

4 (No response.)

5 DEPUTY STATE CONTROLLER EMRAN: Seeing none, can
6 we turn to members of the public in the auditorium.

7 If you have any questions or concerns, please
8 step up to the podium. Or even just a "good job."

9 (Laughter.)

10 (No response.)

11 DEPUTY STATE CONTROLLER EMRAN: Seeing none,
12 let's take it to the phone line.

13 Operator, do we have any members of the public
14 wishing to speak on this item, Agenda Item Number 3?

15 PHONE MODERATOR: Members of the public on the
16 phone lines, if you would like to place yourself in the
17 queue for public comment, as a reminder, you may press
18 1, then 0, at this time.

19 (No response.)

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

22 Please continue.

23 DEPUTY STATE CONTROLLER EMRAN: Thank you,
24 Operator.

25 Members, is there a motion to approve the staff

1 recommendation to enter the formal rulemaking process
2 for Regulations, sections 17951-5 and 17951-8?

3 MEMBER PERRAULT: So moved.

4 MEMBER LIEBER: (No audible/verbal second.)

5 DEPUTY STATE CONTROLLER EMRAN: Moved by Member
6 Perrault. Seconded by Member Lieber.

7 Can we call the Board roll, please.

8 MS. RUBALCAVA: Member Lieber.

9 MEMBER LIEBER: Aye.

10 MS. RUBALCAVA: Member Perrault.

11 MEMBER PERRAULT: Aye.

12 MS. RUBALCAVA: Deputy Controller Hasib Emran.

13 DEPUTY STATE CONTROLLER EMRAN: Aye.

14 Thank you, Cristina.

15 That motion passes unanimously.

16 So we're moving pretty good now. So next up is
17 Item Number 4, presentation on the Legislative Update.
18 This is presented by Denis Armstrong and is an
19 informational item, as we all know that the legislative
20 session ended just last week. So this is going to be a
21 good, good update.

22 Denis, you can take it away.

23 MR. ARMSTRONG: Thank you.

24 Good afternoon, Board Members. I am Denis
25 Armstrong, the Legislative Director of the Franchise Tax

1 Board, and I will provide an update on key legislative
2 items impacting the FTB.

3 Today we will discuss two budget trailer bills
4 that have been signed by the Governor, Senate Bills 167
5 and 175.

6 SB 167 has multiple provisions impacting the FTB.
7 First is the Business Credit Limitation, which, for
8 taxable years beginning on or after January 1st, 2024,
9 and before January 1st, 2027, limits the utilization of
10 business credits, as defined, to \$5 million per taxable
11 year per taxpayer.

12 The next provision also applies to taxable years
13 beginning on or after January 1st, 2024, and before
14 January 1st, 2027.

15 This disallows a net operating loss deduction and
16 extends the NOL carryover period for taxpayers with a
17 net business income or modified adjusted gross income
18 equal to or greater than \$1 million.

19 The next provision would align the maximum income
20 threshold of the Young Child and Foster Youth Tax
21 Credits with the California Earned Income Tax Credit
22 threshold for taxable years beginning on or after
23 January 1st, 2024.

24 This legislation also extends the provision that
25 allows licensees engaged in commercial cannabis activity

1 to deduct expenses and claim tax credits related to
2 cannabis for five additional years.

3 This bill also repeals the enhanced oil recovery
4 credit for taxable years beginning on or after
5 January 1st, 2024.

6 Up next is a provision which eliminates the
7 deduction for intangible drilling and development costs
8 for oil and gas wells for amounts paid or incurred on or
9 after January 1st, 2024. This bill also amends and
10 disallows the calculation of percentage depletion for
11 coal and oil shale mining and disallows the depletion
12 percentage limitations and exemptions placed on oil and
13 gas wells.

14 SB 167 also amends and limits deductibility for
15 qualified conservation contributions made by
16 pass-through entities.

17 Additionally, this bill made several changes to
18 the Revenue and Taxation Code related to the
19 accuracy-related penalties to the disallowance of
20 charitable contribution deductions for conservation
21 easement contributions.

22 This bill also requires the Director of the
23 Department of Finance to determine whether tax deadlines
24 should be postponed due to a state of emergency.

25 This bill also repeals the Delinquent Tax

1 Collection Fund as it is no longer needed for FTB
2 operations.

3 SB 167 also extends the taxpayer's ability to
4 reduce regular tax below the tentative minimum tax by
5 the Strategic Aircraft Credit for another five years
6 from taxable years beginning before January 1st, 2026,
7 to taxable years beginning before January 1st, 2031.

8 This bill also provides clarification on the
9 calculation of the apportionment formula.

10 SB 167 contains a provision as well that
11 clarifies that any unused balance of the Middle Class
12 Tax Refund payments issued before April 30th, 2026, will
13 be returned to the FTB, which will then deposit the
14 money in the General Fund.

15 Finally, this legislation also includes an FTB
16 legislative proposal to eliminate the repeal date for
17 the FTB authorization to send and receive notifications
18 electronically with taxpayers.

19 Thank you, Board Members, for supporting that
20 legislative proposal.

21 Moving on to SB 175, this bill would allow
22 taxpayers subject to the \$5 million credit limitation
23 under 167 to elect to receive a refund of those limited
24 tax credits as specified in taxable years after the
25 limitation becomes inoperative.

1 Thank you, Board Members, for your time today,
2 and I would be happy to answer any questions you may
3 have.

4 DEPUTY STATE CONTROLLER EMRAN: Thank you,
5 Mr. Armstrong, for your very concise presentation.
6 Appreciate that, and appreciate all the hard work you
7 have done in this past legislative year.

8 I'm going to turn to my members.

9 Do we have any comments or questions here?

10 Yes, Member Lieber.

11 MEMBER LIEBER: Thank you.

12 I was wondering if you could talk about the
13 SB 167 provisions relative to the net operating loss.

14 What would be the extended term of that, that you
15 mentioned?

16 MR. ARMSTRONG: Oh, sure.

17 So they are suspended for three years on the
18 front end. So then on the back end, they would be
19 allowed to be extended another three years.

20 MEMBER LIEBER: Okay. Thank you.

21 And you talked about the limitations on the
22 Foster Tax Credit and Young Child and EITC.

23 Can you talk about the changes to those?

24 MR. ARMSTRONG: Certainly. Thank you for the
25 question.

1 So there's a maximum income threshold for all
2 three credits, and so this bill -- this provision
3 essentially aligns the Foster Youth and Young Child Tax
4 Credit maximum income threshold with the earned income
5 tax -- California Earned Income Tax Credit, which just
6 gives ease to taxpayers so they understand where the
7 thresholds are and ease of administration as well.

8 MEMBER LIEBER: Okay. Thank you.

9 DEPUTY STATE CONTROLLER EMRAN: Thank you,
10 Mr. Armstrong, for your presentation.

11 And thank you, Member Lieber, for those
12 questions.

13 So let's go to public comment in the auditorium.

14 Is there any members of the public that wish to
15 make a comment on legislative matters?

16 (No response.)

17 DEPUTY STATE CONTROLLER EMRAN: Seeing none,
18 Operator, can we go to online, see if there's anybody on
19 the teleconference line that wants to speak to this
20 Agenda Item, Item Number 4.

21 PHONE MODERATOR: Members of the public on the
22 phone line, if you would like to place yourself in the
23 queue for public comment, as a reminder, you may press
24 1, then 0, at this time.

25 (No response.)

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

3 Please continue.

4 DEPUTY STATE CONTROLLER EMRAN: Thank you. Thank
5 you, Operator.

6 Thank you, Mr. Armstrong. This was an
7 informational item only. Thank you for all your hard
8 work, and good luck in the next legislative year.
9 Looking forward to the next update as well.

10 MR. ARMSTRONG: Thank you very much.

11 DEPUTY STATE CONTROLLER EMRAN: Appreciate it.

12 So, Members, we're going to move on to Item 5
13 now, the FTB 2021-2025 Strategic Plan Update: Goal 1 -
14 Exceptional Service. And this is presented by Erin and
15 Daryl Lee.

16 You can go ahead when you are ready.

17 MS. DENDORFER: Thank you.

18 Good afternoon, Board Members. I'm Erin
19 Dendorfer from the Technical Resources Bureau of the
20 Legal Division. And with me is Daryl Lee from the
21 Communication Services Bureau of the Administrative
22 Services Division.

23 Over the next few minutes we will give an update
24 regarding FTB's 2021-2025 Strategic Plan and highlight
25 the accomplishments related to Goal 1 of the plan.

1 The Strategic Plan is how we communicate our
2 department's direction. It provides guidance and
3 purpose to our projects and initiatives. The
4 presentation will focus on Goal 1 and the initiatives
5 related to that goal since the adoption of the 2021-2025
6 Strategic Plan.

7 Goal 1 is exceptional service. Strive to
8 continuously enhance our customers' experience. This
9 goal includes the subgoals shown on the screen that
10 provide a framework to keep FTB on track to accomplish
11 Goal 1. The projects and enhancements discussed in this
12 presentation all serve our goal of continuously
13 improving customer experience.

14 One of the projects we completed was enhancements
15 to our wait time dashboard. Since 2017, FTB's website
16 has included a dashboard that allows customers to decide
17 which service channel to use. It originally included
18 times for customer service general lines, the Tax
19 Practitioner Hotline, and secure and general live chat.
20 It also included processing times for payments, refunds,
21 returns, and correspondence.

22 Since 2021, we have added information to the
23 dashboard. The expanded features include real-time
24 personal and business collection time frames and Contact
25 Center wait times. The site also includes convenient

1 links to self-service options. The current dashboard
2 now offers better service and enhanced customer
3 experience for our taxpayers.

4 Another enhancement was easing access to our
5 in-person Contact Centers. The FTB has five field
6 offices with public counter staff. These staff provide
7 tax filing and payment assistance to taxpayers and their
8 authorized representatives for personal income tax,
9 business entity income tax, and nontax debt.

10 In 2021, FTB field offices added the option to
11 schedule an in-person appointment online or through the
12 aid of a Contact Center agent for those without computer
13 access. The automated appointment system allows
14 taxpayers to select either personal or business help;
15 and once they make the appointment, the automated
16 appointment system uses text messages to connect with
17 customers as their appointment time nears.

18 We found that appointments provide an improved
19 customer experience and minimized wait times. The
20 automated system also sends a survey to our customers so
21 we can seek their feedback. And as a result, we have
22 maintained a 93 percent approval rating from our public
23 counter customers.

24 Now Daryl will talk about the improvements FTB
25 has made to MyFTB, which is the FTB's online account

1 system.

2 MR. LEE: Thanks, Erin.

3 I want to highlight our improvements over the
4 past few years in making MyFTB our most effective
5 service channel. MyFTB gives individuals, business
6 representatives, and tax professionals online access to
7 tax account information and online services.

8 During this Strategic Plan, 2021 through 2025, we
9 enhanced our registration process and significantly
10 reduced the time it takes to activate an account.

11 Historically, users registering for a MyFTB
12 account needed a personal identification number, or PIN,
13 to activate their account online. FTB would mail the
14 PIN letter to the address of record, and the user enters
15 the PIN as the final step in the registration process.

16 Since February of 2022, individuals and tax
17 professionals can choose how they want to activate their
18 MyFTB account. They can continue to have the PIN letter
19 mailed, or they can go through the verification process
20 for instant access by answering some personal questions
21 through our new Real-Time Identity Proofing and
22 Enrollment process, or RIPE.

23 As of August 2024, 219,000 users registered for a
24 MyFTB account, including 3500 tax professionals. The
25 number of individual taxpayer registrants continues to

1 increase compared to the same period in 2021, primarily
2 due to the implementation of RIPE.

3 In addition to our enhancements to register
4 faster, MyFTB continues to provide additional
5 information and functionality. Among other activities,
6 taxpayers can view notices, view previously filed tax
7 returns, chat about their account, send a message with
8 attachments, and get detailed account information.

9 We also improved the time it takes for payments
10 to show up in MyFTB. These enhancements have resulted
11 in people being able to look at their payments rather
12 than calling on the phone and waiting for a customer
13 service representative.

14 MyFTB was also updated to allow users to view
15 text-only returns for those who need a more accessible
16 option or use assistive technology.

17 In addition, taxpayers can now protest notice of
18 proposed adjustments for carryover amounts through their
19 MyFTB accounts.

20 Now Erin will discuss some other projects that
21 have improved customer service since 2021.

22 MS. DENDORFER: Thanks, Daryl.

23 In March of 2023, the Tax Practitioner Hotline
24 successfully implemented virtual hold technology.
25 Virtual hold allows callers to save their place in the

1 phone queue and receive a callback instead of waiting on
2 hold.

3 In addition, we also made individual account
4 status inquiries easier. FTB sometimes receives a
5 request for a written verification of the status of a
6 taxpayer account. These are called Individual Status
7 Letters, or ISLs, and they may help requesters obtain a
8 student loan or financing from the California Department
9 of Veterans Affairs.

10 These letters can show lenders and other
11 interested third parties that the individual has met
12 their California income tax filing obligations.

13 In 2023, MyFTB was updated to allow an individual
14 to request an ISL for the current tax year after the
15 original due date of the return. An ISL can also be
16 requested for the prior five tax years.

17 And starting at the beginning of this year, FTB
18 launched an online application that allows an
19 individual, the parent of a minor child, or an
20 authorized representative to obtain an ISL through the
21 public website. This option does not require an
22 individual to have a MyFTB account. And users only need
23 to follow the directions on the application and upload
24 the necessary documents to obtain the ISL.

25 All of these enhancements that Daryl and I have

1 highlighted help further FTB's goal of providing
2 exceptional service.

3 Thank you for the opportunity to share these
4 projects with you today, and we are happy to answer any
5 questions you may have.

6 DEPUTY STATE CONTROLLER EMRAN: Thank you. Thank
7 you so much for your presentation and for all the hard
8 work you are doing to make FTB a better, better place
9 and a better operation.

10 We're going to turn to members here.

11 Do you have any questions?

12 Yes, Member Lieber.

13 MEMBER LIEBER: Thank you.

14 Well, it is great to see the statistics on how
15 pleased the public is in general with getting the
16 service from a tax agency.

17 And I was wondering about the -- the in-person
18 visits.

19 You mentioned that taxpayers could get a text
20 message back as their visit is approaching.

21 And is that, like, a week out, or is it, they
22 come into the office and they get a number and then they
23 are texted to let them know when their number is coming
24 up?

25 MS. DENDORFER: Sure.

1 So taxpayers can make the appointments online.
2 And so whenever they make the appointment, I think the
3 text messages just remind the taxpayer of when their
4 appointment is so that it is easier to remember when
5 to -- when to go to the public office.

6 MEMBER LIEBER: Okay. And my reason for asking
7 is, I recently had a very complicated thing that I was
8 trying to do at the DMV. And so I needed to go into the
9 office and have a little bit of a inspection of the
10 vehicle and etc.

11 And so while I was there, they have a system
12 where you can scan a QR code, and then it puts you into
13 a queue. That means that you can go sit down in the
14 air-conditioning instead of physically standing outside.

15 And so there was a group of people with their
16 clamshell phones kind of trying to hold the phone up and
17 wondering what to do with their clamshell and a QR code.
18 So they were sort of part of the group that just had to
19 stand out in the heat and go in.

20 And then the system told them, "Well, you will
21 get a text message in time when your number is coming
22 up."

23 And so one older gent that I was helping didn't
24 get the text message on his -- on his phone. And so he
25 was told, "Well, now you have to start the process over

1 again." So it is another hour that -- during which he
2 should go outside and then start over.

3 And so what about people who can't get a text
4 message? Can they get an automated voice call instead?
5 If -- say that if someone helps them go onto the
6 computer and make that appointment, could they get phone
7 calls instead of a text message?

8 MS. DENDORFER: That is a really good question.
9 I know the system right now is set up to text people as
10 their appointment time nears. But we can -- I can look
11 into that and get back to you on whether that's part of
12 the process.

13 MEMBER LIEBER: That would be great. Thank you
14 so much.

15 Because it's a -- this was in Silicon Valley, and
16 there's a remarkable number of people who have more
17 traditional cell phones instead of those smartphones.
18 And you hate to see people just standing outside. And
19 so that would be great if you could let me know about
20 that functionality.

21 Thank you.

22 MS. DENDORFER: Absolutely.

23 EXECUTIVE OFFICER STANISLAUS: Also, Member
24 Lieber, luckily our offices are air-conditioned or
25 heated in the wintertime, so they're not standing

1 outside, unlike DMV.

2 Also, they have appointments to come in. But in
3 the event they walk in, our staff is really good. They
4 try to, you know, help and support all the people who
5 walk in. I mean, we don't encourage walk-ins. We want
6 them to make appointments. But if they do come in, we
7 absolutely take care of them.

8 MEMBER LIEBER: That's -- that's really great.
9 And this one really nice older gent that I was helping,
10 I kind of left him there to his own devices after three
11 hours because he had to take tests on a computer in the
12 DMV office, and it is all good things that do make the
13 line go faster.

14 But we got to take mercy on some of our veterans
15 and others who are a little bit up in years.

16 Thank you.

17 DEPUTY STATE CONTROLLER EMRAN: Thank you, Member
18 Lieber. Point well taken.

19 So I have -- I have a couple of questions myself
20 too.

21 In regards to the PIN, are taxpayers taking
22 advantage of the real-time PIN? And are there general
23 type of questions used to verify their identity?

24 MR. LEE: Yes. People are taking advantage of
25 using the automated process. And it is

1 industry-standard questions that are used to proof the
2 user.

3 DEPUTY STATE CONTROLLER EMRAN: Understood.

4 My next question: The slides referenced a 93
5 percent approval rating public -- for public counter
6 customers.

7 Can you walk me through how this data is
8 collected? Is it through a survey post? Customer
9 experience? How many people are voluntarily choosing to
10 do this survey?

11 MS. DENDORFER: That's a great question.

12 So for our public service counter customers,
13 the -- the people who sign up for an appointment online
14 and receive those text messages, they also automatically
15 receive a survey. So those are the individuals that
16 have provided the -- the data there.

17 DEPUTY STATE CONTROLLER EMRAN: And how long do
18 you have to fill out the survey after the experience?

19 MS. DENDORFER: Ooh, that is a really good
20 question.

21 I don't know the answer to that, but we can -- we
22 can get back to you on that one.

23 DEPUTY STATE CONTROLLER EMRAN: Thank you. Thank
24 you.

25 MS. DENDORFER: I haven't taken the survey myself

1 yet.

2 (Laughter.)

3 DEPUTY STATE CONTROLLER EMRAN: Maybe we all
4 should just take it right now --

5 (Laughter.)

6 MEMBER LIEBER: We will just walk in...

7 DEPUTY STATE CONTROLLER EMRAN: So my very last
8 question is what percentage of taxpayers have signed up
9 for the MyFTB account? Just a general ballpark number
10 or percentage.

11 MS. DENDORFER: We don't have that information
12 right now. But we can also look that up and get back to
13 you on that.

14 DEPUTY STATE CONTROLLER EMRAN: Absolutely. I
15 appreciate that.

16 So thank you.

17 Seeing that there's no other questions from my
18 board members, let's move to the auditorium.

19 Is there any members of the public that want to
20 take this matter up for public comment? Please feel
21 free to walk up to the podium.

22 (No response.)

23 DEPUTY STATE CONTROLLER EMRAN: Seeing none, can
24 we go to the operator.

25 Operator, is there anybody on the teleconference

1 line wishing to speak to Agenda Item Number 5?

2 PHONE MODERATOR: Members of the public on the
3 phone lines, if you would like to place yourself in the
4 queue for public comment, as a reminder, you may press
5 1, then 0, at this time.

6 (No response.)

7 PHONE MODERATOR: No members of the queue -- of
8 the public are queuing up.

9 Please continue.

10 DEPUTY STATE CONTROLLER EMRAN: Thank you so
11 much.

12 I want to thank you both for your presentation.
13 Looking forward to Strategic Plan Number 2 also being
14 updated in the future Goal Number 2.

15 So thank you both.

16 I -- everyone -- so I'm looking at my clock here.
17 It's about 1:58. I think it's a great time to take a
18 break, a ten-minute break, stretch your legs, grab a
19 drink, and come back for Part 2. So it is 1:58 now. So
20 let's try to all get back here at 2:09.

21 We're on break. Thank you.

22 (Break taken in proceedings: 1:59 p.m. to
23 2:09 p.m.)

24 DEPUTY STATE CONTROLLER EMRAN: Welcome back,
25 everyone. Welcome.

1 Thank you. Thank you so much. I hope the break
2 was a good one.

3 We're moving on now into Agenda Item Number 6, a
4 presentation on Identity Theft Prevention. I think this
5 is so, so important. You know, we've been seeing
6 stories, the heart-breaking stories of people losing
7 everything through these scams and identity theft. And
8 I think it is so important for the Franchise Tax Board
9 to openly talk about this. So I'm really looking
10 forward to this presentation by Scott Reid and Lasaro
11 Saldana.

12 So, Scott and Lasaro, when you are ready, please
13 present.

14 MR. REID: Well, good afternoon, Board Members.
15 My name is Scott Reid, and I'm the Director of our
16 Filing Compliance Bureau here at the Franchise Tax
17 Board.

18 And with me today is Lasaro Saldana, a Section
19 Manager in our Fraud Analysis and Detection Section, or
20 FADS, as we affectionally call it.

21 As some of you know, FADS uses innovative
22 selection methods to detect and prevent fraudulent
23 refund claims and discover taxpayers who file false
24 claims, underreport their taxes, or attempt identity
25 theft refund fraud.

1 Today we're here to give you an overview of the
2 latter topic, or identity theft prevention efforts.

3 And I will now turn it over to Lasaro to share a
4 little bit more with you.

5 MR. SALDANA: Thank you, Scott.

6 As you know, identity theft happens when personal
7 information is stolen and used to commit fraud. The
8 most common form of fraud we see here at FTB is refund
9 fraud. And FADS handles all identity theft and personal
10 income tax refund fraud for the department.

11 The impact of identity theft and all fraud,
12 really, is not only felt by the taxpayer, but it also
13 affects FTB and the entire state of California.

14 If we fail to prevent fraud, the State loses
15 money, and we want to make sure that our residents
16 continue to have faith in FTB as a trusted government
17 entity.

18 Fraudsters have become more sophisticated in
19 the -- in their attacks in recent years. With a
20 dramatic increase in data loss, be it corporate
21 phishing, tax preparer takeovers, and corporate data
22 breaches, it is getting more difficult to distinguish a
23 good return from a fraudulent one.

24 For example, in a tax preparer breach or
25 takeover, the fraudsters have all the taxpayer's

1 information.

2 The increase in refundable credits offered in
3 California also increases the potential fraud exposure
4 for FTB. These refundable credits offer the fraudster
5 enhanced opportunities for free money.

6 Data breaches have dramatically increased over
7 the last few years. Fraudsters are trying to obtain
8 real people's data. They breach systems, incorporate --
9 impersonate corporate officers, or buy data from
10 previous breaches. They do this to create the most
11 accurate and realistic tax returns possible.

12 We see identity theft returns from what appear to
13 be legitimate firms, legitimate tax preparers, and
14 legitimate taxpayers.

15 This puts us in a difficult position. We want to
16 issue refunds quickly and not impact legitimate
17 taxpayers, but we need to stop fraudulent claims and
18 make sure that refunds are going out to the correct
19 taxpayers.

20 They have data consistent with real taxpayer
21 data, which can make it hard to differentiate a
22 fraudulent return from a legitimate one. This is why
23 FTB takes action to send taxpayers a notice and require
24 contact with us to resolve the issue.

25 This focus on fraud prevention may cause a little

1 delay in the process of authenticating the returns, but
2 it is for a good purpose.

3 The fastest way to resolve the issue is to call a
4 number on the notice, and one of our amazing Contact
5 Center experts will help resolve the matter.

6 We take these cases seriously, and our phone
7 lines operate at over 90 percent level of access so that
8 our legitimate taxpayers can get the help they need
9 immediately.

10 As you can see, we are all affected by identity
11 theft fraud and have a significant stake in preventing
12 it.

13 At FTB we use statistical data models, and in
14 conjunction, fraud rules to target the most suspicious
15 returns for further review by a fraud analyst.

16 We constantly upgrade our models, perfect our
17 rules, and analyze all data and processes. We do this
18 to prevent fraud while making sure as few real taxpayers
19 get stuck in our nets as possible.

20 We continue working with our nationwide partners
21 to identify fraud, suspicious schemes, and patterns to
22 stay on top of emerging schemes.

23 We also stay current with the latest technology
24 and tools to ensure that our online systems are
25 protected and that we can keep pace with the rapidly

1 changing cyber world to ensure that we continue our due
2 diligence in keeping FTB secure.

3 We know fraudsters will attempt fraud everywhere
4 once they have a compromised identity. We leverage
5 external partnership opportunities from the IRS Security
6 Summit. We are a contributing member of the IRS Summit
7 teams. The Summit teams have work groups involving
8 authentication, information sharing, and financial
9 services.

10 We also participated in creating the Information
11 Sharing and Analysis Center, also known as the ISAC.
12 This is a nationwide lead sharing and data aggregator
13 hosted by the IRS, where all the states and industry
14 partners share identity theft leads.

15 The ISAC also provides a rapid-response team that
16 elevates and shares information regarding active-threat
17 schemes with our partners. Through the ISAC, we can
18 also mitigate fraud from our partners' leads.

19 We monitor and audit the use of our online
20 applications available to taxpayers to ensure the data
21 and account is not compromised, misused, or involved in
22 fraudulent activities. FTB's legal and ethical
23 responsibility is to provide the confidentiality,
24 integrity, and availability of information essential to
25 achieving the department's mission and goals.

1 FTB protects taxpayer data through robust policy
2 files, standards, and procedures that comply with
3 federal and state information security requirements.

4 We provide extensive training on these
5 departmental policies and procedures, which guide staff
6 in analyzing and assessing security measures to protect
7 FTB's data.

8 We maintain a comprehensive cybersecurity program
9 focused on risk management, safeguarding of data, and
10 monitoring internal and external activity.

11 FTB continues to improve our security posture by
12 upgrading cybersecurity infrastructure and enhancing
13 advanced threat detection/prevention systems.

14 Here are some things everyone can do to minimize
15 the risk of becoming identify theft victims:

16 Install anti-malware/antivirus security software
17 on all devices. This includes keeping software set to
18 automatically update.

19 Learn to recognize and avoid phishing email
20 schemes. Some red flags include unsolicited messages,
21 request for personal information, grammar and spelling
22 errors, and suspicious links or attachments.

23 Use strong passwords to access computers. Strong
24 passwords typically include a combination of letters,
25 numbers, and symbols.

1 Don't share your log-in credentials and passwords
2 with others. This includes those in your firm or
3 company.

4 Use and register for multifactor authentication,
5 MFA, whenever available. Multifactor identification
6 adds a second layer of protection to the log-on process,
7 as it requires a code to be answered to successfully log
8 on. The code is emailed or sent via text.

9 Finally, if you suspect you are a victim of
10 identity theft, you can visit our FTB website. The
11 identity theft web page contains additional resources
12 and our contact information.

13 Thank you, Board Members, for your interest in
14 our program and for the opportunity to address you
15 today. We would be more than happy to answer any
16 questions you may have.

17 DEPUTY STATE CONTROLLER EMRAN: Thank you for
18 your presentation. Excellent, excellent report.

19 I'm going to turn to members here if we have any
20 questions or concerns.

21 Member Perrault.

22 MEMBER PERRAULT: I just wanted to echo thanks.
23 I -- I appreciate you taking the time to -- to update
24 us.

25 On the data and analytics, are we continuing to

1 see a trend upward of identity theft even with some of
2 this additional -- I think the steps and maybe
3 educate -- it sounds like -- I mean, I know the biggest
4 thing is just educating, you know, the public, not to
5 click on the link or maybe check the email address so it
6 is a valid one.

7 But I'm just kind of wondering, you talked about
8 the data analytics.

9 Is -- are we seeing a spike, or is it sort of
10 this slow trend and -- I know it is always hard to get
11 ahold -- in front of people, but I'm just kind of
12 curious about what the trends are you are seeing more
13 specifically.

14 MR. REID: Again, good question.

15 I would say, over the last several years, we
16 continue to see an unprecedented amount of attempts to
17 secure refund fraud with the states. A lot of the
18 refundable credits. Some stimulus programs have really
19 encouraged folks to try every way that they possibly can
20 to try to get a refund erroneously from the State of
21 California. And so they have really become criminal
22 enterprises. They are investing quite a bit of money
23 into this effort. So it is not just a random person
24 trying to figure out how they might be able to get
25 through and slip through the cracks. They're really

1 teams of professionals who are really sophisticated.
2 They have got advanced tools, and we're continually
3 plugging the dam, so to speak.

4 So we will identify something, and we'll put --
5 we'll put stuff in place to make sure that we are -- we
6 are kind of preventing this on the front end so that our
7 analysts don't have to work through and we don't have to
8 impact taxpayers. But we continue to see
9 extraordinarily high volumes of attempts.

10 MEMBER PERRAULT: Just a follow-up: Considering
11 sort of the professional level of sort of these, you
12 know, folks, these criminals, I appreciate you talking
13 about the fact that you guys working -- are working
14 across states.

15 So is it true to -- it -- would it be true to say
16 that we're seeing, because the -- of the professional
17 level, that the same individuals are hitting multiple
18 states --

19 MR. REID: Yeah.

20 MEMBER PERRAULT: -- across the nation, and --

21 MR. REID: Absolutely.

22 MEMBER PERRAULT: -- so you guys, I presume, are
23 talking amongst each other, when one gets hit, that
24 there's something that -- maybe there's some
25 collaboration going out across so that folks have a

1 heads-up.

2 MR. REID: That is the one advantage that we do
3 have, right?

4 So if we were isolated on our own, we may not
5 recognize some attempts and patterns. But our
6 coordination and cooperation with other State agencies,
7 with the IRS, a lot of the software vendors that are
8 preparing returns, they catch a lot before it even gets
9 to us.

10 And then the financial services industry is
11 helpful as well. So when something comes forward,
12 right, they may -- we may be -- we may be able to detect
13 it here. But let's say a smaller state, without the
14 resources and the tools, may not. So being able to
15 share that in almost near real-time gives us the ability
16 to respond quickly to any emerging threat that we're
17 seeing.

18 But we continue to be diligent in looking for
19 what's -- what's next, because there will be something
20 next. But we have done a pretty good job at identifying
21 and stopping it on the front end.

22 MEMBER PERRAULT: Well, thank you. Again, I
23 appreciate the indulgence. And I wish you good luck.
24 Because this is a task that I think is difficult for --
25 for anyone. So appreciate it.

1 DEPUTY STATE CONTROLLER EMRAN: Thank you, Member
2 Perrault.

3 Member Lieber, you are recognized.

4 MEMBER LIEBER: Thank you.

5 And thank you for this briefing on the efforts
6 that are currently going on. It seems like, you know,
7 the other side is constantly upping their game. And so
8 we need to be as well.

9 For the average Californian, who gets word that
10 their data has been breached, including their Social
11 Security number, etc., are there steps that they can
12 take with the FTB to ensure that their refund is not
13 accessed by someone else?

14 MR. REID: Yeah. There's actually several
15 suggestions that I would make. First, if somebody
16 suspects they have been a victim of identity theft, they
17 can reach out to us on a proactive basis and let us
18 know. And then that will then kind of flag their
19 accounts so that if a return comes in, we will take a
20 really close look at it before we process it.

21 The other thing I would really suggest is, at
22 this point in time, it is not unreasonable for us all to
23 expect that our information, including that Social
24 Security number, name, address, date of birth, is all
25 available to criminals on the dark web.

1 Some of the trends that we have seen is they used
2 to sell that information. Now it seems like some people
3 are using it for amusement and are frankly just making
4 that information available to anybody who has the
5 ability to access it.

6 So one of the first things that I would suggest
7 is contacting and making sure that you are monitoring
8 your credit on a regular basis. Each of the three
9 credit reporting agencies, I believe, will provide you
10 an annual credit report so you can make sure that
11 nothing -- nothing is on there that you haven't
12 authorized.

13 The next level is, like, a credit monitoring
14 service. Some of them are available for free. Some of
15 them have a charge. But they will, in close to
16 real-time, check in with you if any activity is being
17 reported or someone is making an inquiry of the credit
18 bureaus.

19 And then the third and safest way is to actually
20 contact each of those credit bureaus and put a freeze on
21 your credit account. That means that basically anything
22 that's coming in will kind of be rejected. The only
23 downside is if you actually are needing to use a credit
24 service for securing a loan or what -- what -- other
25 similar things, you do have to reach back out to them

1 and make sure that that's authorized.

2 So those are some -- those are some steps that
3 you could take to at least minimize the chance that you
4 are a victim. And I would strongly encourage the public
5 to do so.

6 MEMBER LIEBER: Um-hmm. And does the FTB make
7 information available to Californians about how they
8 would be contacted if they were to be contacted? For
9 example, "We don't do X. We won't be the people that
10 are calling you on the phone."

11 MR. REID: Absolutely. And, in fact, our website
12 actually includes a listing and a description of notices
13 that the Franchise Tax Board sends out. So if, for some
14 reasons, a taxpayer did get a notice from us, and
15 questioned the veracity of that letter, they could look
16 on our website and confirm that.

17 I will tell you the good news is some people are
18 still skeptical that some of the letters that we send
19 out are actually generated from us. And so we do take
20 extraordinary steps to give them comfort that the letter
21 was actually us, and we can point them to some
22 independent source so that they are not victims.

23 So we actually appreciate when taxpayers are
24 skeptical of us reaching out to them. It shows some
25 good diligence on their behalf, but we are able to work

1 with them successfully.

2 MEMBER LIEBER: Okay. Thank you.

3 DEPUTY STATE CONTROLLER EMRAN: Thank you, Member
4 Lieber.

5 And I want to thank you, gentlemen, for the very
6 important presentation. Preventing identity theft is
7 vitally important to Californians, in particular older
8 adults, who lose nearly \$3 billion to financial fraud
9 and schemes every year. These scams are very realistic.
10 They are compelling. They are very persuasive and
11 dangerous.

12 In today's world, we're exchanging more and more
13 sensitive information online. We're managing our bank
14 accounts, we pay our bills, medical records, all from
15 our smartphones and laptops.

16 Major companies get hacked. California's
17 personal information, including financial information,
18 gets stolen. And the problem is growing and costs us
19 billions of dollars a year. In one survey, nine out of
20 ten Californians say they feel like they have lost
21 control of their personal information. And in recent
22 breaches we saw at AT&T, millions of Californians have
23 had their personal data compromised, like credit card
24 information, home addresses.

25 When these type of criminals start racking up

1 charges on your card, it can destroy your credit rating.
2 It can turn your life upside down. It may take months
3 for you to get your finances back in order. So that as
4 a state, we must recognize the nature of the harms to
5 innocent victims. Ever-evolving and increasingly
6 sophisticated identity theft schemes cause significant
7 tax and credit harms to the victims of identify fraud,
8 as well as, equally seriously, challenges in resolving
9 those harms.

10 Victims are saddled with ruined credit scores,
11 unable to qualify for home mortgages, auto loans, and
12 other lines of credit, and are often denied access to
13 public benefits.

14 It is clear things like Social Security numbers
15 and date of birth, which is used for verification, is
16 more and more susceptible to attacks given the
17 widespread ease of criminal syndicates to access
18 individuals' information, which, like you mentioned, can
19 be sold on the dark web for pennies on the dollar.

20 Understanding the direct threat to a family's
21 economic security, Controller Cohen and myself and this
22 entire administration, including the leadership here at
23 the Franchise Tax Board, is taking an all-hands-on-deck
24 approach in making sure that Californians and their
25 hard-earned money and their privacy are protected,

1 especially when they go online.

2 That leads to my first question.

3 In times of crisis, such as a natural disaster,
4 there is a trend of high-level fraud and identity theft
5 because residents are understandably in a vulnerable
6 state.

7 What proactive steps can FTB take to protect
8 residents from scam in times of crisis? I'm talking
9 about fires up north. We're seeing landslides down
10 south. And this opens up times for scammers to come and
11 really take advantage of a resident going through that
12 time of crisis.

13 MR. REID: I would say just our general education
14 and outreach, letting people know that there are
15 resources available to them if they do become victims.
16 I know a number of local law enforcement agencies,
17 especially in disaster times, they go out of their way
18 to make sure that the public is aware and is cautious
19 when they are being approached by folks that may be
20 looking to scam them.

21 And so being a part of these collaborative
22 working groups nationwide, as well as within the state,
23 with the other tax agencies and others, gives us the
24 opportunity to leverage that outreach between all of us.
25 So...

1 DEPUTY STATE CONTROLLER EMRAN: Thank you for
2 that.

3 My next question: I believe community education
4 is at the forefront of this fight against identity
5 theft. But for it to be effective, it must reach all
6 communities, of course, and that includes diverse
7 communities, where English may be a second language.

8 So is the Franchise Tax Board producing
9 anti-fraud resources available in other languages other
10 than English? That includes Spanish, Chinese languages,
11 Tagalog, and accessibility needs.

12 MR. REID: So at this point, most of our outreach
13 and materials are available on the website, and I would
14 have to get back with you in terms of what languages are
15 available in terms of translation services for the Web.
16 But I know that it is something that the department is
17 taking a look at over the next several months of how we
18 can increase the availability of our materials in
19 alternative languages or multiple languages.

20 DEPUTY STATE CONTROLLER EMRAN: Certainly. I
21 will appreciate that report back.

22 And my very last question: Does the Franchise
23 Tax Board have any mechanisms to report any known tax
24 professional who is committing fraud so that their
25 licenses may be revoked?

1 MR. REID: So also within my -- my Bureau, the --
2 what is my Bureau?

3 (Laughter.)

4 MR. REID: The Filing Compliance Bureau. We also
5 have a Tax Preparer Compliance Program. So our fraud
6 program oftentimes, when they hear back from taxpayers,
7 they will indicate that perhaps they were unaware that
8 they made a claim that they are not eligible for. That
9 their preparer just put it on there without their
10 knowledge. And those cases are referred to our Preparer
11 Compliance Program. We have -- actually, with the EDR2
12 program, are expanding that also to business entities.

13 So in that situation, what we do first is we tend
14 to -- we need to establish that there's fraud involved.
15 So we would typically perform an audit of that actual
16 return with the actual taxpayer. That would then give
17 us information relative to a pattern of maybe abuse from
18 the tax preparer.

19 And then we would engage that tax preparer in
20 both penalties, both civil, as well as the opportunity
21 for criminal prosecution through our Criminal
22 Investigation Bureau here at the Franchise Tax Board.

23 I would say that in most cases, by the time we
24 identify a fraud -- a preparer that is -- that is
25 preparing fraudulent returns, they are no longer at the

1 location. They tend to disappear. They kind of go into
2 strip malls during tax time. They may advertise. They
3 will be in business for a couple of months. And then
4 they will disappear.

5 And so we're always chasing -- chasing them. But
6 there is an active program that we do have here at the
7 Franchise Tax Board that is looking at -- at fraudulent
8 preparers.

9 DEPUTY STATE CONTROLLER EMRAN: Thank you. Thank
10 you for that presentation and excellent job, once again.

11 Seeing that there's no other comments or
12 questions from the members here, let's move on to public
13 comment in the auditorium.

14 Are there any members of the public that wish to
15 make a comment here?

16 Please step up to the podium right behind you,
17 Miss.

18 And you will have two minutes for public comment.

19 Please state your name for the record too.

20 MS. RUSCIGNO: (Inaudible.)

21 THE COURT REPORTER: She needs to repeat. I
22 could not hear her.

23 DEPUTY STATE CONTROLLER EMRAN: Can you repeat
24 that? Your mic is on now.

25 MS. RUSCIGNO: Yes.

1 My name is Stephanie Ruscigno, and I'm from
2 Sutter County, about an hour north of here.

3 And I wanted to say how happy I was to hear that
4 you are actually following fraud, but I wanted to give
5 you two pieces of bad news.

6 Number one, which also could be good news, is the
7 VA has had several data breaches. And that's the bad
8 news. The good news is you guys can partner up and at
9 least help those of us in California, because I know
10 several people who have lost their homes because of
11 fraud, because of all kinds of reasons.

12 And there is new things.

13 And I'm noticing that ISAC -- what if you
14 become partners with the VA in helping those whose data
15 has been breached?

16 And also I wanted to point out that Google has
17 been given all records for the -- from the DMV. So I
18 was going to say, "Sit down, put your seat belt on,"
19 because that's going to open the door to even more fraud
20 than we can possibly imagine.

21 And what do you do if you have already been the
22 victim of a fraud? Unscrupulous board mem- -- or not
23 board members -- employees who take advantage of the
24 disabled and take their money? And they are just being
25 terrorists.

1 Anyway, that was the main thing, is I wanted to
2 thank you for taking fraud seriously. And I wanted to
3 prepare you for two sources of more fraud.

4 And thank you for the opportunity.

5 DEPUTY STATE CONTROLLER EMRAN: Thank you. Thank
6 you for your public comment. It has been recorded into
7 the record.

8 Is there anybody else in the auditorium that
9 would like to speak on this Agenda Item Number 6?

10 (No response.)

11 DEPUTY STATE CONTROLLER EMRAN: Going once, going
12 twice.

13 Seeing none, can we move to the teleconference
14 line.

15 Operator, is there anybody else on the line that
16 would wish to speak on Agenda Item Number 6, preventing
17 identity theft?

18 PHONE MODERATOR: Members of the public on the
19 phone lines, if you wish to place yourself in the queue
20 for public comment, as a reminder, you may press 1, then
21 0, at this time.

22 (No response.)

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

25 Please continue.

1 DEPUTY STATE CONTROLLER EMRAN: Thank you,
2 Operator.

3 That will close out this agenda item.

4 So we're going to move on now to Agenda Item
5 Number 7, a presentation regarding the All-of-Government
6 Approach to Increasing CalEITC Utilization and Related
7 Programs, presented by Ms. Harriman and Mr. Lackey.

8 Before we begin, I'm going to turn to Member
9 Lieber, who has shown incredible leadership here, in
10 regards to CalEITC, for some opening remarks.

11 Member Lieber, you are recognized.

12 MEMBER LIEBER: Well, I think you are giving me
13 entirely too much credit.

14 But I would like to thank in advance our staff,
15 who has prepared a very useful compendium of all of the
16 actions that are currently going on. And you have
17 really laid the table well for further work on this.
18 And so I thank you so much for that. It really helps to
19 increase our understanding when we know what types of
20 interactions might not be possible through current
21 federal law and look at what kind of changes are
22 possible for us to take.

23 And I know that we all have the same goal of
24 getting funds out to working Californians who are not
25 able to meet their basic needs simply through the wages

1 that they earn.

2 And so it is both a daunting time for our
3 constituents and a very exciting time to see what kinds
4 of partnerships are possible. And what levers of
5 government we can apply to this task and how we can form
6 very strong partnerships with the NGOs that we're
7 blessed to have here in California.

8 So I want to thank you in advance for your
9 presentation. I look forward to it.

10 DEPUTY STATE CONTROLLER EMRAN: Thank you, Member
11 Lieber.

12 And whenever you are ready, you can go ahead and
13 take it away.

14 MS. HARRIMAN: Thank you for the very kind words.

15 There's a lot of people in the audience as well
16 that those words are meant for. So hopefully, those
17 folks in the audience recognize the thank-you. The work
18 it costs Franchise Tax Board to make this happen is
19 really good -- great to see. Magnificent to see. And
20 we appreciate your continued support of this as well.
21 So let me jump right in.

22 Good afternoon, Board Members. My name is Jeanne
23 Harriman. I'm the Chief Financial Officer here at
24 Franchise Tax Board.

25 Today's presentation, I will be discussing our

1 work regarding enhancing outreach and increasing uptake
2 for federal and state anti-poverty tax credits. These
3 efforts most commonly focus on the federal Earned Income
4 Tax Credit, the California Earned Income Tax Credit, the
5 Young Child Tax Credit, and the Foster Youth Tax Credit,
6 commonly referred to as the family for CalEITC Credits.

7 Every day, Californians are struggling. There
8 are many ways to help these Californians.

9 In 2015, California enacted the Earned Income Tax
10 Credit, and almost annually since, supporting statutes
11 have been enhanced each year to expand eligibility to
12 State tax credits for Californians in need.

13 While in general most public assistance programs
14 require submission of an application and families can
15 access services year-round, assistance provided through
16 tax credits requires an annual filing of a tax return.
17 Both the federal and the state tax return.

18 However, an individual or family may not always
19 have a tax return filing requirement other than to
20 access these crucial credits. Recognizing these
21 challenges, in the last nine years, state, federal, and
22 local governments, as well as local nonprofit
23 organizations and other advocacy groups, have joined
24 forces to ensure that Californians know of these credits
25 and understand the availability of return filing

1 assistance programs -- excuse me -- including those that
2 are free of charge.

3 It takes a village. Something new. Something
4 important. Something that is not easy. All can benefit
5 from the "it takes a village" approach, an approach
6 first described in the ancient African proverb --
7 proverb -- excuse me -- as it relates to raising
8 children. Google describes the "it takes a village
9 approach" as a community effort, collaborative
10 responsibility, many hands make light work.

11 However you would describe it, California has
12 adopted this approach to pursuing outreach to assure
13 Californians in need know about these tax credits they
14 are eligible for and how they can access them for free.

15 The foundation of our village. Annually,
16 Franchise Tax Board prepares outreach materials that are
17 used by all of our partners. Many of our partners use
18 these materials as a foundation for the unique and
19 branded materials, and many of them use them as is.

20 Our materials are also posted on our website for
21 all to use as well and are posted in English, and
22 additional languages including Spanish, Chinese,
23 Vietnamese, and Korean.

24 Thank you to our Public Affairs team for creating
25 such a strong foundation for our village.

1 Establishing the pillars of our village. To
2 coordinate and complement outreach activities across the
3 state and across the entire village, several key
4 stakeholder groups have been established and are led by
5 our peer State departments.

6 The Statewide Interagency Task Force - Reducing
7 Poverty Work Group is managed by the Department of
8 Community Services and Development and engages partners
9 from all areas, state and local government entities, and
10 nonprofit advocacy groups, all to work towards
11 optimizing outreach to communities across the state.

12 The Statewide Outreach Advisory Roundtable,
13 commonly referred to as SOAR, is managed by the
14 California Department of Social Service, and similarly
15 engages partners from state, federal, and local
16 governmental entities and nonprofit advocacy groups.
17 Each team has comparable goals but focus on different
18 aspects of the outreach effort.

19 The Statewide Interagency Task Force - Reducing
20 Poverty Work Group team looks for coordination across
21 entities and saturation of communities.

22 SOAR really dives into the hows of outreach and
23 ensures strong partnerships exist between partners. In
24 our materials presented today, you can see all of
25 California's partners in these efforts that form the

1 foundation of our village.

2 Thank you to all of the pillars of our village
3 for the work they do.

4 How our village engages and works together.

5 Statutory notifications. Annually, California's
6 statutes require that employers provide information to
7 all employees on the anti-poverty tax credits and free
8 filing options. As of 2022, this allows for over
9 20 million workers across California to obtain
10 information on the tax credits and free filing options.
11 The statutes also require public assistance programs
12 such as CalFresh to provide notice to their participants
13 about the anti-poverty tax credits and free filing
14 options. Depending on the program, that is the notice
15 to 4 to 12 million Californians. These notifications
16 are commonly viewed as the most likely to be successful
17 outreach effort with the least cost compared to the
18 highest saturation point.

19 Grants. Annually, California funds grants for
20 local community-based organizations to allow for local
21 outreach to community members. Grantees focus on
22 sharing the information about the anti-poverty federal
23 and state tax credits as well as free tax preparation
24 services.

25 Many of these grantees also maintain and support

1 VITA offices in their localities and are also authorized
2 agents to work with immigrants who need assistance in
3 obtaining or renewing an individual Taxpayer
4 Identification Number.

5 Together, these grantees use social media
6 channels, neighborhood canvassing, text -- texts, phone
7 calls, billboards, and radio ads in their localities to
8 reach these local community members.

9 Across the state, these are some of the
10 incredible stats supporting the grantees' work:

11 over 4 million phone calls and texts sent.

12 Over 3 million items mailed.

13 And a multipoint repetitive saturation effort
14 using TV, radio, and billboards, as well as transit
15 advertisements resulting in millions of Californians
16 being exposed to information on the family of the
17 CalEITC credits and free tax preparation services.

18 Amazingly enough, this work is supported by
19 almost 7500 volunteers across the state.

20 Thank you to these grantees for the important
21 work they do and their commitment to help Californians.

22 Targeted outreach. The Franchise Tax Board has
23 partnered directly with CalFresh to incorporate outreach
24 materials into food boxes and displays at food bank
25 sites. This has provided opportunities for family with

1 food insecurities to find out about additional benefit
2 programs they might be eligible for.

3 Depending on the needs of Californians, outreach
4 materials have been included annually at 200,000 to
5 600,000 food boxes.

6 Across the program, referrals. The last effort I
7 will highlight is our work with several State
8 departments to include a reference and link to
9 Californians who just completed their request for
10 assistance for unemployment or disability benefits.

11 This is referred to as the Benefit Recommender
12 program, and in its pilot phase, over 100,000
13 Californians clicked through the links they were
14 presented with after they completed their application
15 for benefits.

16 Of these 100,000-plus, over 20,000 clicked
17 through to Franchise Tax Board's website to find out
18 more about CalEITC. This program is now fully
19 implemented and is one more way Californians can find
20 out about CalEITC and the other anti-poverty tax
21 credits.

22 It takes a village. The Board materials also
23 present additional efforts our village engages in to
24 support Californians. The materials also provide
25 information on discussions we had as to other potential

1 efforts that have not been pursued.

2 Before closing, I will note what is on this
3 slide. Together we are succeeding where alone we may
4 have been less effective.

5 Thank you for your time today and your commitment
6 to outreach.

7 At this time I will turn the podium over to Roger
8 Lackey to provide an update on our efforts to integrate
9 the IRS Direct Filer program with California's Franchise
10 Tax Board's CalFile program.

11 Thank you.

12 MR. LACKEY: Good afternoon.

13 I'm Roger Lackey, Chief of the Filing Division.

14 I'm here today to provide a status update on our
15 Direct File CalFile collaboration with the IRS. As
16 mentioned in earlier Board meetings, the IRS announced
17 Direct File as a permanent service for the IRS and
18 invited states to continue their partnership and build
19 on its success.

20 Since the last Board meeting, the following
21 activities have occurred:

22 FTB met with the IRS and informed them of our
23 intention to continue our partnership with them to
24 provide taxpayers a safe and free way to file their
25 federal and state income tax returns.

1 FTB also released its press release informing the
2 public of our continued participation in this
3 partnership on August 2nd of 2024.

4 The IRS shared with us their road map for the
5 '24, '25, and '26 tax years. And their goal is to
6 expand and enhance the Direct File services.

7 FTB has completed its project plan for
8 implementation as provided on this slide.

9 For the 2025 filing season, 2024 tax year, the
10 service will be the same, and Direct File will send
11 taxpayers to FTB's CalFile free filing service. Most
12 importantly, the IRS will be making Direct File
13 available the whole year, anticipating a late
14 January/early February release. This creates more
15 opportunities for taxpayers to file free for both Direct
16 File and for CalFile.

17 FTB's 2025 filing season marketing plan will
18 highlight Direct File and CalFile and the opportunity it
19 provides Californians to file for free and take
20 advantage of the numerous state and federal tax credits
21 available.

22 Our plans will also leverage the marketing and
23 outreach provided by the IRS.

24 For the 2026 filing season, the 2025 tax year,
25 the plan is for CalFile to be enhanced to allow

1 taxpayers a more integrated handoff to the -- from the
2 IRS Direct File service.

3 So I would like to thank you for your time today,
4 and please let Jeanne or me know if you have any
5 questions on either of these items.

6 DEPUTY STATE CONTROLLER EMRAN: I want to thank
7 you both for your presentation and all the incredible
8 hard work you have done. It does certainly take a
9 village, the village that's in this room as well.

10 So I'm going to turn to my members.

11 Do we have any questions?

12 Member Lieber, you are recognized.

13 MEMBER LIEBER: If I may.

14 For Mr. Lackey. First, obviously I have an
15 interest in seeing prepopulation at the earliest time
16 possible. And I wonder if there are any methods that we
17 could use to achieve that before 2026?

18 MR. LACKEY: Our -- our project plans are -- the
19 way that we set up the project plans in terms of
20 developing the resources available to us, and that
21 includes being able to provide the necessary customer
22 service on a new program like this, that we hope
23 actually is successful and grows.

24 It is stretched out. So there was BCP funding
25 that was included for the '25-'26, '26-'27, and '27-'28

1 tax years. The earlier work includes the technology
2 work that's necessary for us to integrate, as well as
3 answer a number of open questions that we had -- that we
4 covered at our previous Board meeting.

5 So the -- the plan, at this point in time,
6 remains for that Direct File handoff to CalFile. And I
7 think the one thing to really kind of stress from our
8 perspective is that the amount of information necessary
9 to complete your California State tax return remains
10 minimal. And that CalFile is an easy-to-use product
11 that we expect and hope for some considerable growth
12 with the Direct File and the service being open for the
13 full year.

14 MEMBER LIEBER: Um-hmm. Okay. Thank you.

15 And probably have some more questions about that
16 later that I will be contacting you with.

17 I'm wondering. I know that individuals can be
18 directed from Direct File to CalFile.

19 Do we have any current plans yet to do the
20 opposite of that on our -- our website pages to have a
21 calculator that would show both the -- the amount that
22 you would get for CalEITC and for the federal EITC? And
23 would provide a temporary bridge to both of those for
24 taxpayers or potential tax filers?

25 MR. LACKEY: Well, calling it -- I will call it

1 the reverse calculation isn't something that we had been
2 planning for. We will take that question back. I'm not
3 sure what the feasibility of that would be.

4 There's a lot of math. And we -- just to keep it
5 simple, there's a lot of math involved there, kind of
6 backing up to the federal. But I will take the question
7 back, and we can talk with our teams about what that
8 might look like, if that's at all feasible.

9 MEMBER LIEBER: Okay. And I have seen that some
10 of the NGOs out there have a quick calculator, where
11 folks can see what the benefit of filing both federally
12 and at the State, and I think for the NGOs that are only
13 able to use their funding from California to point to
14 CalFile, it would really be a benefit to have, on the
15 website, a link to Direct File as -- as well, because
16 it's -- distorts things to not have that -- have that
17 there.

18 And I see Jeanne approaching as well.

19 MR. LACKEY: So Jeanne's going to provide one
20 clarification on your earlier question to address this
21 question.

22 MEMBER LIEBER: Thank you.

23 MR. LACKEY: Just as a reminder, the -- when you
24 look at our current FTB website, in any mention of
25 Direct File and CalFile, it is very limited for -- on

1 purpose.

2 The IRS, because they went with an unsure release
3 for last year, it was very difficult for us to really
4 kind of do any kind of marketing around that without
5 their approval. We did not want to provide any kind of
6 advertisement, any type of outreach on a federal service
7 that was a pilot, without actually knowing what was the
8 go-live date; how long would it remain open.

9 When we developed our marketing plan for this
10 next year, knowing that the IRS service will be
11 available, that is something that we'll be taking into
12 consideration; how can we make sure that we are pointing
13 taxpayers to that Direct File service so that they can
14 take advantage of it.

15 And then Jeanne, do you want to go ahead?

16 MS. HARRIMAN: Yeah. Thanks, Roger.

17 Just a point of clarification.

18 To the extent an individual is interesting in
19 understanding how much their federal and state credits
20 are for the Earned Income Tax Credit, we do have
21 calculators on our website to do that.

22 What we don't have on our website is
23 understanding how much of that could potentially come
24 back to them in their pocket, which requires a full
25 analysis all the way through the return, which is what

1 Roger was speaking to.

2 So it is just a little bit of a clarification to
3 what you were talking to. We do have that.

4 We also note several of our nonprofit
5 organizations that we partner with have calculators as
6 well, both federal and state, to help taxpayers
7 understand the value of these credits.

8 And then, of course, the Young Child Tax Credit
9 and the Foster Youth Credit can be included in those as
10 well.

11 So it is just a multidisciplined approach to
12 getting information into the taxpayers' hands.

13 MEMBER LIEBER: Okay. And -- but we don't
14 currently have links on the FTB site to those NGOs that
15 have the more comprehensive calculator, if I'm
16 understanding it right.

17 MS. HARRIMAN: That would be a correct
18 representation. You know, we have worked closely with
19 these partners for quite some time.

20 The concerns had presented several years ago that
21 some of these websites may not be accessible. Some of
22 them might have not the complete details that we like to
23 have on our website and that taxpayers could be
24 misinformed or otherwise misled about it.

25 So we continue to work with all of them to make

1 sure their websites are valid and accurate. But for the
2 most part, when somebody comes to our website, we do
3 look to assist them within our own box, I will call it,
4 as opposed to working with others.

5 The last time -- it's been about a year, year and
6 a half since I did a really good look at other websites,
7 Such as United Way, Golden State Opportunity. They have
8 amazing websites and great websites. I haven't seen
9 that the -- that they have information we didn't or vice
10 versa. It might be presented in a different way, a
11 different look, a different feel. But it was, in fact,
12 the same information, which is good. That's what you
13 want so that taxpayers can go to many different
14 locations and understand what they are eligible to get
15 and how to get it.

16 MEMBER LIEBER: Okay. Thank you.

17 And I had a question about the VITA services.
18 This is a very helpful spreadsheet that was put
19 together. And it looks like multiple staff were working
20 together, all of this information. So it was very, very
21 helpful.

22 And I saw that there are 18 California VITA sites
23 with 91 volunteers. And so one of the issues that I'm
24 very interested in is, how do we get to all 58 counties?
25 But does saying that there's 18 California VITA sites --

1 and these are the sites to help people who aren't
2 currently filers start to get into filing and see the
3 benefit of it.

4 Does a site mean that there's -- there's
5 sub-sites under that? Or would it be, like, 18 counties
6 have one site or -- or one county -- like LA -- has ten
7 sites, and then other counties are very restricted?
8 What is a site?

9 MS. HARRIMAN: Yeah. So let me help clarify that
10 because I think it will answer a lot of your questions
11 quickly.

12 Those 18 sites that Franchise Tax Board manages
13 and helps very specifically and diligently in managing
14 those sites. That is not at all representative of sites
15 across the state. There's hundreds of sites across the
16 state and every county. We do have two statewide
17 grantees that have tried to address the rural counties
18 that have perhaps a lack of representation in VITA
19 sites, so that they are taking buses or they are going
20 into the schools in those local communities, and the
21 volunteers are traveling to assist in those rural areas
22 so that every county does have some sort of a access to
23 VITA.

24 So I would say, at this point -- my apologies.
25 Disregard the 18 as a metric to represent what is going

1 on at the statewide level or at the county. That's
2 really just the work that we support very, very closely
3 with our staff that we do. If that helps at all.

4 MEMBER LIEBER: Yes. Thank you so much.

5 And then I notice on the data-sharing between
6 departments, conversations are on hold and barriers
7 identified that would need to be addressed in future
8 conversations. And it looks like a pretty difficult
9 list of conversations that would have to be held about
10 federal prohibitions on data sharing, etc.

11 And I wonder, as we go through this process, how
12 we can parse out both the entities that it's possible,
13 like the food boxes, to push out information through.
14 And the -- the entities that we can push out information
15 to.

16 I think, from my mind, if you get stopped in one
17 direction, then it's imperative to at least think about
18 how -- how to go about going in the other direction. So
19 I would love to, at some point, get -- get further
20 information on that.

21 And then under the established additional free
22 return prep sites, conversations are on hold and
23 potential legal restrictions, etc. And so I'm not sure
24 how we should delve into that. But -- but I would like
25 to see what more is possible and what kind of creative

1 thinking we can apply to that.

2 MS. HARRIMAN: Sure. Happy to do that.

3 There's a lot of information that we can share,
4 definitely, in regard to conversations that have
5 happened in those -- those pesky little legal barriers
6 that keep presenting to basically stall us in our tracks
7 until we can get around. So lots of information.

8 At your discretion, I can share it at the Board
9 meeting or we can share it at another conversation,
10 because there is a lot of good information to share,
11 particularly on the data sharing, the first element that
12 you mentioned.

13 The second one that you mentioned is in line with
14 the thought that we have county welfare offices already
15 in place that are assisting taxpayers -- excuse me,
16 clients for them -- that are walking in. Why can't we
17 utilize those folks to help do some tax preparation too,
18 that would be free of charge, right?

19 And so we costed that. We talked about the
20 different legal parameters associated with having --
21 whether it's state or local county staff on payroll,
22 with the government, basically preparing returns. And
23 the liabilities that might happen in the event there are
24 errors. And there will be errors; there's errors on
25 returns all the time, regrettably, but there are, that

1 need to be corrected. And that that liability could
2 trigger back to the local, state, or other government
3 entity that's doing it.

4 And there wasn't a willingness to really dive
5 into this for many reasons, including all those
6 mentioned, that states -- or government staff would
7 become the preparers of these returns.

8 Instead of that, that is one of the genesis of
9 why grants were born to nonprofit organizations as well,
10 because they too had boots in the communities; that they
11 could access these individuals that needed assistance
12 by, like I said, the radio or the TV, the text, the bus
13 transit ads. How many times do you read the bus going
14 by you? I read them all the time. It's like, "Oh,
15 look. There's that bus going by again." Right? And
16 giving me good information that I need.

17 So that is one of the reasons instead of
18 continuing to pursue having government staff prepare
19 these returns, it was like, okay, let's see what the
20 advocacy groups can do with their boots in the community
21 and part of the reasons why those grant funds were first
22 given.

23 MEMBER LIEBER: Great. Excellent.

24 And I notice, if I'm correct, but you can let me
25 know. I had a really hard time finding information on

1 these collaboratives online. And I know that there's --
2 SOAR sounds like a very well-populated collaborative.
3 But it is done by a different department so we don't
4 really have the ability to put that, you know, out
5 there.

6 But is there anything that I missed on our
7 website about who our community partners or our agency
8 partners are?

9 MS. HARRIMAN: I don't think so. I would agree
10 with your observation that they are just not published
11 or out there even though they do exist, right? It can
12 be very challenging to even find a list of the grantees
13 that have received the grant funds to do that online.
14 It is always available, upon request, either from us or
15 our -- our sister department managing those grants. But
16 they just don't come up with a search term.

17 So I don't know that that's a strategy or it is
18 more that these -- like, particularly, SOAR is two years
19 old. Right? They have done an amazing work to get that
20 team populated as they have.

21 As you know, the first version that I gave you
22 only had very few counties accounted for in that, which
23 was in '22. But now, fast-forward two years into '24,
24 and almost every county, if not every county, is engaged
25 in that. Right?

1 And that is primarily most likely because of the
2 fact that their work they do with the counties for
3 CalFresh and CalWORKS programs.

4 Anyway, so -- and I think it is -- it is like a
5 business model that they operate in, as opposed to just
6 the wide-scale internet-published information stuff that
7 anybody can see or access or join. Right or wrong,
8 that's what my guess is what they would say as to why
9 you can't just put in statewide outreach advisory
10 roundtable and find SOAR right at your fingertips.

11 MEMBER LIEBER: Okay. Thank you.

12 DEPUTY STATE CONTROLLER EMRAN: Thank you, Member
13 Lieber.

14 I'm going to now turn to Member Perrault to be
15 recognized.

16 MEMBER PERRAULT: Just a couple of quick
17 clarification questions. And if you don't have the
18 answers now, I completely understand.

19 I appreciate the breakdown on the grant -- on the
20 grantees, the list. It -- it appears that the grants
21 went out very regionally. I don't know -- really, a
22 regionally diverse way. And I think that's really
23 critical when we talk about not just some of our larger
24 cities, but into our rural areas, and down through our
25 Central Valley. So I -- I appreciate that.

1 I'm wondering -- and I apologize, but the Finance
2 person here doesn't know. What is -- how many -- what
3 was the total that we gave out for those grants? And do
4 you happen to know, was it an average? Was it a -- was
5 it the same whether you were LA or Kern County?

6 And then I guess, secondarily, my next question
7 is, is this -- is this still an ongoing for additional
8 resources for the CBOs to continue to engage in some of
9 the local work?

10 And my sense is the answer is going to be yes
11 from you, but I'm just curious.

12 MS. HARRIMAN: Great questions. No worries.

13 So the amount of grants that have existed since
14 probably the early '20s or right at 2019/2018, when they
15 first -- have varied from \$1 million all the way up to
16 \$20 million.

17 So the amounts that go into the communities, of
18 course, are dependent on the total grants that the State
19 issues.

20 The State has just come off of '21-'22 and
21 '22-'23. The funding granted for these grants was
22 \$20 million across all the grantees. And for '23 -- or,
23 excuse me. For '24-'25, it has been reduced to
24 \$10 million. And there's another \$2 million potentially
25 pending in AB 157, which is a budget junior bill.

1 So we will see what happens on that one. And if
2 it stays at 10 or if it moves up to \$12 million.

3 So in essence, the grants are -- are sent out
4 across the state, based on population size, which is
5 really based on census; and then also some critical
6 factors such as poverty-based leanings of the
7 communities and organizations; as well as recognizing
8 particularly in the rural areas that I spoke of before,
9 is they may not have a large population to get a lot of
10 grants, but they do have, perhaps, a larger need.

11 And so that's why the statewide grants were
12 established, to allow for more of a statewide
13 comprehensive look across the state, particularly in
14 rural areas that need assistance, as opposed to just
15 focusing on the counties: Los Angeles County, San
16 Joaquin, Sacramento County, etc.

17 DEPUTY STATE CONTROLLER EMRAN: Thank you, Member
18 Perrault.

19 And just a follow-up to her question: Do these
20 organizations that are receiving grants, do they have to
21 be registered nonprofit 501(c)(3) in order to receive
22 the grant money?

23 MS. HARRIMAN: They do.

24 DEPUTY STATE CONTROLLER EMRAN: Understood.
25 Thank you.

1 I do have one extra question about the Direct
2 File.

3 With the rollout of CalFile, will taxpayers be
4 made aware of the system limitations? For example, some
5 mentioned that taxpayers who are able to claim other
6 credits and deductions, such as foreign taxes paid,
7 child care, retirement savings, will not benefit from
8 Direct File.

9 MR. LACKEY: So -- yeah. So when -- the IRS,
10 they have an interview process that you go through. So
11 they will explain, through that process, if you are
12 eligible for the Direct File service or not. Part of
13 that expansion that they shared with us, in the road map
14 of '24, '25, '26, is kind of slowly growing the
15 different income types as well as the credits.

16 And so your starting point should be with Direct
17 File. Currently, the Direct File eligibility is less
18 than it would be for CalFile. And so anybody that does
19 use Direct File will be eligible for -- or successfully
20 uses Direct File would be eligible for CalFile.

21 DEPUTY STATE CONTROLLER EMRAN: Oh, okay. That's
22 good to know.

23 I did have an additional question just about the
24 ID.me that's being utilized. Can you explain to me how
25 that works and the privacy concerns around it? Is it

1 addressing privacy concerns around the ID.me? We
2 understand, when we file taxes, it's very sensitive
3 information that's being transmitted online.

4 MR. LACKEY: Yeah. So FTB does not use -- make
5 sure you can hear me. FTB does not use ID.me. That is
6 what the IRS is using for their authentication process.
7 Franchise Tax Board has its own authentication process.

8 So for this first year, you know, this
9 partnership, a full year with Direct File and CalFile,
10 taxpayers will need to authenticate both with the IRS
11 and with the Franchise Tax Board. One of the more
12 strategic questions that we need to answer is we kind of
13 look at that to look at the user experience. Is there
14 the opportunity to have more of a unified authentication
15 process? But again, that's a bigger question to ask.

16 And so as we go through that, that will determine
17 if there's any changes in terms of how FTB/California
18 authenticates.

19 DEPUTY STATE CONTROLLER EMRAN: Understood.

20 My very last question: As taxpayers go through
21 the CalFile, is there going to be some type of chat or
22 hotline they can call if they have any questions while
23 they are filing their taxes?

24 MR. LACKEY: That's a great question.

25 Yes. When we were asked -- well, in terms of

1 what would this service look like, one of the things
2 that we were talking or speaking with the IRS about was
3 how they -- they actually leverage the chat function of
4 their service to be able to take care of any questions
5 while taxpayers were using Direct File.

6 And so we want to use that same model, and so we
7 will be using authenticated chat. So once the taxpayer
8 is within the CalFile or -- and MyFTB, and they are
9 preparing their California return, we will have a team
10 of agents there that are able to answer the questions to
11 help them file their -- their California tax return.

12 DEPUTY STATE CONTROLLER EMRAN: Wonderful.
13 Wonderful. Thank you so much.

14 I'm going to look to my members. I don't see any
15 other questions from the podium -- the dais here. So
16 we're going to turn to members of the auditorium for
17 public comment.

18 Is there any members of the audience here that
19 would wish to comment here on Item Number 7, CalEITC?
20 Please approach the podium now.

21 (No response.)

22 DEPUTY STATE CONTROLLER EMRAN: Going once, going
23 twice, seeing none.

24 Operator, can we move to the online
25 teleconference to see if there's any members of the

1 public wishing to comment here on Agenda Item Number 7?

2 PHONE MODERATOR: Members of the public on the
3 phone lines, if you would like to place yourself in the
4 queue for public comment, as a reminder, you may press
5 1, then 0, at this time.

6 We have a comment from Christine Grab, an
7 individual taxpayer.

8 Please go ahead.

9 MRS. GRAB: My name is Christine Grab, and I am
10 the people of California.

11 At the June 2024 Board meeting, FTB approved
12 \$10.5 million to be used to notify low income people
13 that they might qualify for a CalEITC credit and to
14 encourage these people to file tax returns.

15 I contacted the Department of Community Services
16 and Development, who is the recipient of the
17 \$10.5 million, and asked for an accounting ledger for
18 the program's previous year, showing who received how
19 much money for doing exactly what. I also asked for a
20 budget breakdown of how the current year's \$10.5 million
21 was slated to be used.

22 CSD says they are basically a middleman that
23 passes the money on. CSD gave me a list of how much
24 they disbursed to each charity with generic information
25 as to how the funds were to be used, such as education

1 or outreach.

2 When I pushed back for actual accounting ledgers,
3 CSD told me they do not keep granular-level records of
4 exactly how these funds are spent.

5 The agencies that I have contacted so far to
6 request these granular-level records are nonprofits that
7 aren't required to respond to public records requests.
8 They have referred me back to CSD. It appears to me
9 that no one is tracking how this money is being spent.

10 We taxpayers would like to know exactly who is
11 pocketing the \$10.5 million and exactly what they are
12 doing in exchange for this money.

13 Does FTB have any systems of oversight in place
14 to ensure that the funds are being used appropriately
15 and not being embezzled by these agencies?

16 DEPUTY STATE CONTROLLER EMRAN: Thank you,
17 caller. Your response has been recorded.

18 Operator, can we move on to the next caller? And
19 just to remind you, you have three minutes for public
20 comment.

21 PHONE MODERATOR: Our next comment comes from
22 Teri Ollie with Economic Security CA. Please go ahead.

23 MS. OLLIE: Good afternoon, Members of the
24 Franchise Tax Board. This is Teri Ollie with Economic
25 Security California. Nice to be with you virtually

1 today.

2 I really want to appreciate this item being
3 agendized again and everyone for digging in on the
4 details.

5 I also just really appreciate the framing of this
6 discussion and wanted to lift that back up and this idea
7 of the all-of-government approach, and talk a little bit
8 about what we know works when a process is complicated
9 and there are barriers. And that is exactly the moment
10 where we need all of government to work together to
11 knock them down.

12 And I think what came out of the discussion today
13 in previous, you know, work and research on this is
14 that, you know, information about tax filing is the
15 first step.

16 But for people especially who do not have the
17 obligation to file, you know, learning -- you know,
18 information about tax filing is -- is- is just
19 insufficient. And it is our job to make it easier to
20 actually go from point A to point B.

21 Really want to commend the Franchise Tax Board
22 for just being such an amazing leader and partner in
23 making sure that we are able to do this, to actually
24 start some things, knock down these barriers, in a way
25 that is safe and secure for the tax filer and is really

1 maximizing the opportunity for people to get the tax
2 credits that they need and qualify for.

3 The efforts that are under way are really
4 exciting. I would say, first, the -- you know, the work
5 that's been done previously -- and I there's more of
6 this coming, that was talked a little bit about today,
7 which is being able to provide, you know, texts, calls,
8 emails, etc., from agencies that people may be
9 interacting with in other -- you know, in other parts of
10 their lives, so that people are kind of getting this
11 ecosystem of information about tax filing and the
12 opportunities, and that kind of, like, seamless
13 connection from trusted partners and trusted educators
14 is really critical.

15 Equally critical, of course, is where people are
16 sent. And we talked a little bit about VITA today. And
17 I know I have some other colleagues that I think are
18 going to be on the line in a minute, talking about the
19 just deep need for expanding VITA.

20 We almost risk being too successful if we are
21 telling everyone about going to VITA, and, yet, there's
22 not enough VITA capacity to handle the load or VITA
23 isn't available in the places that we need it.

24 And I think we all know that is a real problem
25 and want to lift up the fact that there's a lot of

1 advocacy around making sure that VITA continues to be
2 well funded.

3 At this time -- (unintelligible cross-talk) --

4 MS. RUBALCAVA: Deputy Controller, time has
5 expired.

6 MS. OLLIE: -- network here that --

7 DEPUTY STATE CONTROLLER EMRAN: Thank you,
8 caller. Your time has expired. But appreciate --
9 appreciate the comment there. It has been recorded into
10 the record.

11 Operator, can we move on to the next caller,
12 please.

13 PHONE MODERATOR: Our next caller is Vanessa
14 Orozco with Golden State Opportunity.

15 Please go ahead.

16 MS. OROZCO: Good afternoon, Board Members. My
17 name is Vanessa Orozco representing Golden State
18 Opportunity. And I would like to thank you guys for
19 holding this discussion open today.

20 As we know, the California Earned Income Tax
21 Credit is one of the strongest programs the State has to
22 ensure individuals and their families can overcome
23 barriers by providing them with the financial
24 requirement they need.

25 Last year the California Earned Income Tax

1 Credit, Young Child Tax Credit, and Foster Youth Tax
2 Credit claims put over \$1.3 billion back into the
3 pockets of more than 3.8 million workers with low
4 incomes and their families. These dollars support local
5 businesses, jobs, and economies by boosting the spending
6 power of tax credit recipients.

7 However, we know that the higher minimum credit
8 could encourage more people to file their taxes,
9 boosting CalEITC uptake overall.

10 A study by the California Policy Lab found that
11 many eligible individuals, particularly those without
12 children, missed out on the CalEITC due to low credit,
13 averaging just \$82. A higher credit could encourage
14 more people to file and ensuring that those funds reach
15 those who need them the most.

16 Research on the expanded federal Child Tax
17 Credit, as well as the federal Earned Income Tax Credit,
18 also shows the vast majority of families with low
19 incomes spend their credits on basic household needs,
20 with food being the most common expense.

21 Lastly, I'd just like to say that programs
22 supported by the CalEITC outreach and education programs
23 have led to an increase in people claiming the Young
24 Child Tax Credit and other anti-poverty tax credits, and
25 an increase in tax assistance programs.

1 They work diligently to remove language and
2 cultural barriers for those filing their taxes and
3 claiming their credits, and they work to connect those
4 hard-to-reach communities who rely on their trusted
5 network to connect with resources.

6 We know that the work that we're doing is having
7 an impact, and as state leaders continue to build upon
8 California's anti-poverty tax credits and lower barriers
9 for active filers, our community organizations will
10 continue to step up to support the State's efforts.

11 Thank you.

12 DEPUTY STATE CONTROLLER EMRAN: Thank you,
13 Caller. Your response has been recorded into the
14 record.

15 Operator, can we move on to the next caller,
16 please.

17 PHONE MODERATOR: Our next caller is Linda Swank
18 with End Child Poverty in California.

19 Please go ahead.

20 MS. SWANK: Hello, Members. Yes. My name is
21 Linda Swank calling from End Child Poverty in
22 California.

23 And as a member and on behalf of the CalEITC
24 Coalition, we thank you so much for all your tremendous
25 work that you have done to increase uptake and improve

1 accessibility of California's anti-poverty tax credits,
2 such as the CalEITC Young Child Tax Credit and Foster
3 Youth Tax Credit.

4 We believe the best way to achieve these goals is
5 by reestablishing funding for free tax preparation
6 assistance education and outreach grants to at least
7 20 million annually, as these community-based
8 organizations offer culturally and linguistically
9 appropriate services for filing taxes, claiming credits,
10 and applying for and renewing Individual Taxpayer
11 Identification Numbers.

12 We are so excited to see investments in
13 integrating CalFile with the IRS Direct File pilot. And
14 we hope to collaborate on how to best maximize that
15 implementation to build a strong, robust system to file
16 taxes and claim credits. By balancing the expansion of
17 a Direct File program, with continued investment in
18 these community-based services, we can create a more
19 inclusive and effective tax system.

20 And, lastly, we believe that increasing the
21 credits, such as raising the minimum CalEITC to \$300,
22 would make credits more meaningful to families, thereby
23 incentivizing more families to file.

24 Thank you for your time.

25 DEPUTY STATE CONTROLLER EMRAN: Thank you,

1 caller.

2 Operator, can where he move on to the next
3 caller, please.

4 PHONE MODERATOR: Our next caller is Danielle
5 Bautista, with United Ways of California.

6 Please go ahead.

7 MS. BAUTISTA: Hi. Good afternoon. My name is
8 Danielle Bautista, with United Ways of California.
9 Thanks so much for -- for taking our public comments.

10 We just want to share our thanks to be working
11 with FTB, CSD, and our fellow partners throughout the
12 state to support California households eligible for
13 critical free tax prep support and outreach programs,
14 which we know is important for folks to know about and
15 access state and federal tax credits, like the CalTax
16 Credit, California Earned Income Tax Credit, Young Child
17 Tax Credit, Foster Youth Tax Credit, as well as supports
18 like the ITIN application and renewals.

19 I just wanted to share and note that from 2022 to
20 2023, California United Way partners helped community
21 members file over 85,000 state and federal returns,
22 which helped folks save nearly \$30 million by accessing
23 free tax prep services.

24 And, lastly, we know from our VITA partners how
25 critical free tax prep and outreach programs are for

1 local communities throughout the state, and we continue
2 to uplift the importance of fully funding these
3 importance at \$20 million.

4 Thank you so much.

5 DEPUTY STATE CONTROLLER EMRAN: Thank you,
6 caller.

7 Operator, can we -- may we move on to the next
8 caller, please.

9 PHONE MODERATOR: There are currently no other
10 members of the public who have queued up at this time.
11 Please continue.

12 DEPUTY STATE CONTROLLER EMRAN: Thank you,
13 Operator.

14 Seeing that there's no other public comment here
15 in the auditorium or on the phone, we will consider this
16 agenda item closed.

17 I understand, Member Lieber, that you want to
18 bring -- continue to bring this up, this important
19 issue. So let's get this on the schedule for the
20 December meeting as well.

21 MEMBER LIEBER: That would be very helpful.
22 Thank you, Mr. Chair.

23 And I wanted to highlight some of the pieces of
24 it that -- that I'm hoping to especially deal with as we
25 set the table in December for the return of the

1 Legislature in January.

2 And so some things that I heard that -- and read
3 through the matrixes that were presented to us, is the
4 issue of data sharing between departments and with CBOs.
5 Looking at how do we develop this -- this ecosystem of
6 information that is as seamless as possible to people of
7 modest means in California, who are, by definition, very
8 busy people, usually working multiple jobs that are
9 minimum or sub-minimum wage.

10 VITA expansion.

11 I would like to discuss information about Direct
12 File and CalFile as being presented coequally to the
13 public, because we know that the -- the minimum grant
14 under the CalEITC is maybe not enough to get people
15 excited about actually filing for. And -- but the --
16 the federal EITC is -- is substantial and has the power
17 to change people's lives.

18 And then the issue was raised about the minimum
19 grant on CalEITC.

20 The need for more ITIN application sites. And I
21 think people who are -- who have nearly gotten an ITIN
22 are a magnificent pool of Californians to reach out to
23 about the family of tax grants that we have available.
24 And then the issue of funding the outreach.

25 But again, I want to thank staff so much for the

1 information that's presented. It has obviously given us
2 and given the community-based organizations a lot to
3 talk about and to have a firm foundation in.

4 So thank you so much.

5 DEPUTY STATE CONTROLLER EMRAN: Thank you, Member
6 Lieber.

7 Looking forward to all the hard work being done
8 and the presentation ongoing in December as we work, to
9 make sure that all Californians have a fair shot to live
10 in this Golden State.

11 Thank you.

12 So that item agenda item will be closed.

13 Next we have agenda Item 8, which is Executive
14 Officer's Time. And I will turn it over to the
15 Franchise Tax Board Executive Director, Selvi.

16 EXECUTIVE OFFICER STANISLAUS: Good afternoon,
17 Deputy Controller. And good afternoon, Board Members.

18 For my time today, I would like to honor and
19 celebrate an extraordinary individual who has dedicated
20 three decades of her life to the service of the State of
21 California.

22 So it is with mixed emotions that I announce the
23 retirement of my good friend, Jozel Brunett, esteemed
24 Chief Counsel.

25 Jozel began her remarkable journey with FTB in

1 1994 as a Tax Counsel. Over the years, she has
2 demonstrated untiring commitment and exceptional
3 leadership. Her tenure expands 30 years, during which
4 she has significantly contributed to the success and
5 integrity of our department.

6 Jozel's contributions to FTB are numerous and
7 impactful.

8 As a member of my Governance Council, she has
9 provided vision, strategic leadership, and
10 enterprise-level division -- decision-making that has
11 been crucial to our internal operations. Her efforts
12 have ensured the success of our programs and activities.

13 In 2022, she received the prestigious Benjamin F.
14 Miller Award for outstanding achievement and
15 contributions in the field of state and local taxation
16 law.

17 Throughout her career, she has handled hundreds
18 of appeal cases, showcasing her expertise and
19 dedication.

20 Her passion for diversity, equity, inclusion, and
21 accessibility, DEIA, has been instrumental in creating a
22 more inclusive workplace. She played a key role in
23 establishing the department's DEIA Team in 2020,
24 reflecting her commitment to recognizing and valuing
25 each individual's background and experiences.

1 So beyond her professional achievements, Jozel is
2 known for her kindness, thoughtfulness, and unwavering
3 support of her colleagues, especially her Legal
4 Department.

5 She's a true servant leader, always leading by
6 example and showing genuine concern for the wellbeing of
7 her team.

8 So as Jozel embarks on her new chapter in her
9 life, she plans to spend time with her beautiful family
10 and friends and travel. Her immediate family -- some of
11 them are here today -- including her husband, John; her
12 mother, Eleanor Evans; her children, Julia, Justin, and
13 Jordan; and her beloved grandchildren, will undoubtedly
14 cherish those moments with her.

15 So Jozel, your legacy at FTB is one of
16 excellence, compassion, and dedication. We are
17 profoundly grateful for your service and leadership.

18 So on behalf of our entire FTB family, we wish
19 you a fulfilling and joyous retirement.

20 Thank you, Jozel.

21 (Applause.)

22 DEPUTY STATE CONTROLLER EMRAN: Thank you, Jozel.
23 The floor is yours if you would like to address your
24 colleagues.

25 CHIEF COUNSEL BRUNETT: Yes. Okay. There we go.

1 Yes. I would be happy to. Thank you and good
2 afternoon.

3 I believe our purpose in life is to serve others.
4 For the past 30 years, I have been extremely privileged
5 to work here at FTB, where public service is our mission
6 and our passion. Here we talk about "one FTB" and it is
7 not a catchphrase. We really mean it. We work together
8 to achieve a common purpose -- all classifications,
9 ethnicities, cultures, backgrounds, and experiences --
10 to bring out the best in each other.

11 I want to thank you, our Board, for your wisdom,
12 your vision, and your commitment and heart for the
13 people of California, especially the underserved, the
14 least of these. Your guidance helps us to be a better
15 tax agency, striving to provide the best customer
16 experience as we serve to meet the needs of our
17 taxpayers.

18 Thank you to my executive officer, friend, and
19 mentor, Selvi, whom I admire beyond words. Selvi, you
20 lead us with grace and strength. We could not ask for a
21 better leader for our department. I could never thank
22 you enough for entrusting me with this position 12 years
23 ago, and it has meant the world to me.

24 And I also want to express my sincere
25 appreciation to my friends and peers on the Governance

1 Council. You are all the brightest and most dedicated
2 leaders that I know, and I count myself privileged to be
3 able to work alongside you.

4 We work together as one to strive to do what is
5 best for the people we serve and our staff, who are at
6 the very center of all that we do.

7 Thanks so much to our Executive Support Team,
8 Linda, Prenita, Val, Phaedra, and Kevin. You are all
9 awesome. Thank you for all your hard work.

10 Thank you to all my friends throughout the
11 department. You are the best of the best in state
12 government, working tirelessly, day after day, to serve
13 our customers and taking care of our employees.

14 To my leadership team in Legal, you lead with
15 integrity and inspiration. I admire you both
16 individually and as a team. We have worked together to
17 meet all of the opportunities and challenges that have
18 come our way. You care deeply about your staff, the
19 work that they do, as well as who they are as people.

20 To my wonderful Legal family, you are the most
21 dedicated professionals that I know at all levels, from
22 attorneys to program specialists, to what I call the
23 very foundation of Legal, our Analyst, Office Tech, and
24 Support staff. I treasure each and every one of you for
25 who you are and for what you bring to Legal and the

1 department.

2 To my family: You are what give me strength and
3 support to do what I do here at work. My parents, my
4 mom, Eleanor Evans, who unfortunately, wasn't able to be
5 here today, but I will watch it on YouTube with her
6 later. Thank you to you and dad for working so hard to
7 put me through college and law school. You have given
8 me a legacy of faith and what it means to love and serve
9 others sacrificially.

10 To my children: Justin and his wife Beth; Jordan
11 and his wife Daniela; and Julia. I'm so proud of each
12 of you and your unique gifts and talents that you bring
13 to the world.

14 I also wanted to welcome the newest of our
15 extended family, Julia's boyfriend, Zach, back in the
16 back who was able to make it today.

17 To my grandchildren, Jackson, Avery, Malcolm,
18 Josh, and Abby. And Josh and Abby have been patiently
19 sitting there throughout the whole Board meeting. You
20 are all growing up way too fast. I'm looking forward to
21 spending more time with you when I retire, and you are
22 the light of my life.

23 Finally, last but not least, my rock, my husband
24 John. You have been my steady companion and support for
25 my entire career, through our 42 years of marriage.

1 Thank you for being there through all of life's ups and
2 downs. As you are also retiring at the end of this
3 year, I can't wait to enjoy our time together. You are
4 a true partner in every sense of the word.

5 When I came to FTB from private practice 30 years
6 ago, I had no where the road would lead. But I did
7 know, though, as soon as I walked in the door, I never
8 wanted to leave. This is where I wanted to be for the
9 rest of my career.

10 FTB has a strong culture of excellent work,
11 striving to be the very best we can be, while, at the
12 same time, caring for and valuing each other. I feel so
13 blessed to have been a part of it.

14 Thank you.

15 (Applause.)

16 DEPUTY STATE CONTROLLER EMRAN: Thank you, Jozel.
17 Absolutely incredible.

18 Shane, I want to turn it to you, if you have any
19 remarks.

20 MR. HOFELING: I don't know how I can begin to
21 follow that. But I think I speak on the behalf of the
22 entire organization, the Legal Department, that we could
23 not have asked for a better leader these years.

24 Every day, we come in and we want to make you
25 proud and we want to make sure that we run Legal as you

1 would. And so even though we will miss you and we will
2 have to think to ourselves, "What would Jozel do in this
3 situation?," you will be with us forever, and thank you.

4 CHIEF COUNSEL BRUNETT: Thank you, Shane.

5 DEPUTY STATE CONTROLLER EMRAN: Thank you, Shane.

6 We show the deputies love around here.

7 (Laughter.)

8 DEPUTY STATE CONTROLLER EMRAN: So I want to turn
9 to my Board Members. If there's any -- if there's any
10 remarks here.

11 Member Lieber.

12 MEMBER LIEBER: Well, I would just like to say
13 thank you so much for a job supremely well done. And
14 congratulations on getting to this temporary finish
15 line. I know that there's much more that you will do.

16 And there are so many times when I wish that I
17 could get the word out widely and accurately about --
18 accurately about what kind of people of excellence work
19 in California government. And you are one of those
20 stories.

21 So thank you so much for all your work. And I
22 hope that you will go on to write, maybe, to speak to
23 groups, to communicate what it has meant to you, and, by
24 extension, to our state, to have you in that kind of
25 selfless service.

1 So thank you so much.

2 CHIEF COUNSEL BRUNETT: Thank you so much, Member
3 Lieber.

4 DEPUTY STATE CONTROLLER EMRAN: Thank you, Member
5 Lieber.

6 Member Perrault.

7 MEMBER PERRAULT: I just want to offer my
8 congratulations. I know we didn't have an opportunity
9 to work very long with one another. But I just want to
10 provide you and echo some of the kind words that have
11 already been said, to congratulate you.

12 And I hope that your next step in life is filled
13 with family and friends. It sounds like you are going
14 to do some amazing things traveling and it sounds like
15 it's well-deserved.

16 So just again, congratulations, and you know,
17 don't think about work when you are off traveling,
18 wherever it is you are traveling.

19 CHIEF COUNSEL BRUNETT: Thank you so much.

20 DEPUTY STATE CONTROLLER EMRAN: Thank you, Jozel.

21 It's a very, like, emotional moment here. But I
22 just wanted to let you know, you are one of the finest
23 lawyers that I have ever worked with, you know, as far
24 as my own journey.

25 And I believe you are a trailblazer for all the

1 young women and girls out there that aspire to reach the
2 upper echelons of California state government.

3 I'm going to miss seeing you at these meetings.
4 I do hope your retirement is filled with a lot of love
5 and travel and good food and enjoying the fruits of your
6 labor, because 30 years is an incredible journey. And I
7 just want to wish you the very, very best. You are
8 always going to have a place here at the Franchise Tax
9 Board to call home forever.

10 Thank you.

11 And I have this beautiful, beautiful placard here
12 for Ms. Jozel, that I wanted to read into the record,
13 please.

14 WHEREAS, Jozel Brunett, who served as the
15 Franchise Tax Board's first female Chief Counsel for 12
16 years, is known for her legal expertise, for being a
17 kind and humble leader, for her passion for Diversity,
18 Equity, Inclusion, and Accessibility, for her valuable
19 guidance and advice, for her commitment to excellence,
20 and her unwavering dedication; and

21 WHEREAS, Ms. Brunett, who, since 1994, has
22 handled hundreds of administrative appeal cases before
23 the former Board of Equalization, served as the
24 Assistant Chief Counsel for the Tax Administrative and
25 Procedure Bureau, advised the Executive Officer and the

1 Board on a wide variety of legal matters, has long been
2 recognized as an expert in state tax law, and has
3 received the Benjamin F. Miller Award from the
4 California Lawyers Association for outstanding
5 achievement and contribution in the field of state and
6 local taxation law in 2022; and

7 WHEREAS, Ms. Brunett served on several
8 departmental committees focusing on strategic
9 leadership, planning, and employee development,
10 including the Governance Council, the Executive
11 Assessment and Development Program, and the Enterprise
12 Coaching and Mentoring Program; those who worked with
13 her knew that she would provide guidance to ensure
14 individual and department success because she genuinely
15 believes that all FTB staff are superheroes; and

16 WHEREAS, Ms. Brunett leads with compassion,
17 humility, and tenacity, both in and outside of work, and
18 she is a true friend in every sense of the word. She
19 listens without judgment and shows appreciation,
20 encouragement, and support to those near and far,
21 providing support, not only to friends but also to the
22 Mission and Values team, the Hero Care Packages program,
23 the Heart Walk; and finally

24 WHEREAS, Ms. Brunett, who is looking forward to
25 more travel, more reading, more theater outings, and

1 spending more time with her husband John, her mother
2 Eleanor, her daughter Julia, her sons and
3 daughters-in-law, Justin and Beth, and Jordan and
4 Daniela, and her grandchildren, Jackson, Avery, Malcolm,
5 Josh, and Abby in her retirement, she will no doubt
6 still advocate for all people, recognizing each
7 individual's background, culture, and personal
8 experience; and

9 NOW, THEREFORE, LET IT BE RESOLVED, this the 9th
10 day of September, two thousand and twenty-four, by the
11 Franchise Tax Board that we recognize and thank Jozel
12 Brunett on the day of her retirement, for her
13 professional and personal dedication during 30 years to
14 the State of California, the Franchise Tax Board, and
15 most importantly, to the People of the State of
16 California. Congratulations, and we wish you all the
17 best as you embark on your next chapter.

18 Thank you and congratulations, Jozel.

19 (Applause.)

20 CHIEF COUNSEL BRUNETT: Thank you.

21 DEPUTY STATE CONTROLLER EMRAN: Thank you.

22 Thank you so much. As you see, it's a big FTB
23 family.

24 Now I ask for her husband, John; her son, Jordan,
25 and his wife, Daniela; her daughter Julia; and her

1 grandchildren, Josh and Abby, please come to the stage
2 for a picture, please.

3 Thank you.

4 We're going to take a quick picture with the
5 Board Members too, if that's okay. Don't go too far.

6 (Applause.)

7 DEPUTY STATE CONTROLLER EMRAN: I want to thank
8 everyone.

9 So we will move on to public comment. If there's
10 any members in the auditorium that would wish to speak
11 on this item and Jozel's retirement, please find your
12 way to the podium. At least one person. Come on,
13 everybody.

14 Seeing -- do we have a public -- okay.

15 MS. RUSCIGNO: Hi. I'm Stephanie again from
16 Sutter.

17 You are too young to retire. You sound too good
18 to go.

19 (Laughter.)

20 MS. RUSCIGNO: There's a new group coming, New
21 California. You are the kind of person we want.

22 (Applause.)

23 DEPUTY STATE CONTROLLER EMRAN: Thank you.

24 Is there anybody else in the auditorium that
25 would like to speak?

1 (No response.)

2 DEPUTY STATE CONTROLLER EMRAN: Going once, going
3 twice. Okay. We're going to close that off.

4 Is there any members of -- on the teleconference
5 line that would like to speak on Agenda Item Number 8?

6 PHONE MODERATOR: Members of the public on the
7 phone lines, if you haven't already and you would like
8 to place -- place yourself in the queue for public
9 comment, as a reminder, you may press 1, then 0, at this
10 time.

11 We do have a comment from Christine Grab,
12 individual taxpayer.

13 Please go ahead.

14 MRS. GRAB: Hi. I would like to remind everybody
15 that Jozel has been working unlawfully all these years
16 without a fully executed oath, and that everything that
17 she's ever done as Chief Legal Counsel must be voided as
18 she did not have legal standing to make any legal
19 decisions without a properly executed oath.

20 Thank you.

21 DEPUTY STATE CONTROLLER EMRAN: Any other callers
22 on the line?

23 PHONE MODERATOR: No members of the public have
24 queued up at this time.

25 Please continue.

1 DEPUTY STATE CONTROLLER EMRAN: Okay. Thank you.
2 That will close out Agenda Item Number 8.
3 And then we're going to move on to Agenda Item
4 Number 9. Board Members' Time.

5 I'm going to look to my Board Members. Is there
6 anything at the top of mind?

7 Please, Member Lieber.

8 MEMBER LIEBER: Well, thank you.

9 I think we have had a really full meeting today
10 and an inspiring meeting as well.

11 And -- and I want to thank all of the staff that
12 contributed to all of our items that are coming up and
13 were discussed today and the work that this agency does
14 on a day-to-day basis to serve Californians. It really
15 is impressive.

16 And I know that I have already done very well in
17 this meeting. Gotten -- gotten a lot.

18 But I did want to ask my fellow Board Members: I
19 would like to see if it's possible to do a short hearing
20 in December, before our regular Board meeting, that
21 would be on the topic of work, assets, and the safety
22 net.

23 And in terms of when we look at the future of
24 Californians, we see that, increasingly, because of many
25 economic forces, they are in a very changing landscape.

1 And work, assets, and the safety net are really at the
2 heart of it.

3 So if we could consider that for a couple of
4 hours before our Board meeting, I would be grateful.

5 Thank you.

6 DEPUTY STATE CONTROLLER EMRAN: Absolutely,
7 Member Lieber.

8 And we will work with Executive Director Selvi to
9 work out a time and hope to see everyone back in
10 December.

11 I would also like to just take a few moments on a
12 very solemn note. We are on the cusp of the
13 23rd anniversary of 9/11. So we will remember and we
14 will never forget the nearly 2,000 beautiful lives taken
15 from us so cruelly, the youngest just three years old,
16 on September 11, 2001.

17 We honor those who put themselves in harm's way
18 to save people they never knew. We come together in
19 prayer and gratitude for the strength that has fortified
20 us across these 23 years. And we renew the love and
21 faith that binds us together as one California family.

22 23 years may seem like a long time, but for the
23 families who lost a piece of their heart that day, I can
24 imagine it can only seem like yesterday. And I'm
25 mindful that no words we offer or deeds we do can never

1 truly ease that pain.

2 The question before us is how do we preserve the
3 legacy of those we lost and how do we live up to their
4 example and how do we keep the spirit alive in our own
5 hearts?

6 While we've seen that in answer -- answer in
7 generations of Californians to our men and women in
8 uniform, the law enforcement professionals here, that
9 work across the state. And I see some in the room today
10 as well. I want to thank you for your service. And all
11 those who have stepped forward and have risk and have
12 given their lives to help keep us all safe.

13 And we have the opportunity, each and every one
14 of us every single day, to live up to the sacrifice of
15 those heroes that we have lost. Many of you in the room
16 here have committed your lives to public service to
17 moving California for us. So I want to recognize and
18 thank you as well.

19 And to the survivors and families of 9/11, you
20 will forever remain in our hearts and may we carry on
21 that legacy each and every single day.

22 Thank you so much.

23 I would like to move to public comment. If
24 there's anybody in the auditorium that would like to
25 speak to Agenda Item Number 9, Board Members' Time.

1 Please approach the auditorium -- the podium.

2 (No response.)

3 DEPUTY STATE CONTROLLER EMRAN: Seeing none,
4 Operator, is there anybody else on the teleconference
5 line that would like to speak?

6 PHONE MODERATOR: Members of the public on the
7 phone lines, if you would like to place yourself in the
8 queue for public comment, as a reminder, you may press
9 1, then 0, at this time.

10 (No response.)

11 PHONE MODERATOR: And no members of the public
12 are queuing up at this time.

13 Please continue.

14 DEPUTY STATE CONTROLLER EMRAN: Thank you so
15 much.

16 Seeing that there's no other business coming
17 before the Board, this will conclude the FTB Board
18 meeting for the day.

19 The next scheduled meeting is December 10th,
20 2024. Please watch out for Member Lieber's proposal as
21 well.

22 Thank you so much, everyone. We are adjourned at
23 3:46 p.m.

24 (Proceedings concluded at 3:46 p.m.)

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CERTIFICATE OF REPORTER

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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 September 2024.



KATHRYN S. SWANK, CSR
Certified Shorthand Reporter
License No. 13061

