

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

<b>Fiscal Year</b> 2025-26	<b>Business Unit Number</b> 7730	<b>Department</b> Franchise Tax Board
<b>Hyperion Budget Request Name</b> 7730-001-BCP-2025-GB		<b>Relevant Program or Subprogram</b> 6280

**Budget Request Title**  
 Enterprise Data to Revenue Project 2

**Budget Request Summary**

The Franchise Tax Board (FTB) requests an augmentation of \$107,075,000 and the full time equivalent of 42.0 permanent positions, and 4.0 limited-term positions for the fifth-year implementation of the Enterprise Data to Revenue (EDR2) project, which is the second phase of the Tax System Modernization (TSM) plan. The resources received from this proposal will allow FTB to continue supporting the optimization of business processes throughout the EDR2 life cycle.

<b>Requires Legislation (submit required legislation with the BCP)</b> <input type="checkbox"/> Trailer Bill Language <input type="checkbox"/> Budget Bill Language <input checked="" type="checkbox"/> N/A	<b>Code Section(s) to be Added/Amended/Repealed</b>	
<b>Does this BCP contain information technology (IT) components?</b> <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No  <i>If yes, departmental Chief Information Officer must sign.</i>	<b>Department CIO</b>	<b>Date</b>

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

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

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

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

**Department of Finance Use Only**

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

<b>Principal Program Budget Analyst</b>	<b>Date submitted to the Legislature</b>
---	--

## **A. Problem Statement**

The Franchise Tax Board (FTB)'s legacy systems are using outdated technology and need modernization. In fiscal year (FY) 2025-26, FTB will be entering the fifth year of the Enterprise Data to Revenue Project 2 (EDR2)'s project implementation. EDR2 is vital to FTB's operations. The technology currently supporting two out of three of FTB's major legacy systems (Accounts Receivable Collection System (ARCS), Integrated Nonfiler Compliance (INC), and Professional Audit Screening and Support System (PASS)), which annually allow FTB to collect over \$4 billion in compliance revenue, are nearing end-of-life and will no longer be supported after December 31, 2025. Replacing these systems before they reach end-of-life will ensure FTB business operations generating significant compliance revenue for the state will not experience any critical failures. Additionally, the EDR2 project will deploy new tools to assist taxpayers in complying with their obligations as well as enhance FTB's compliance activities.

Voluntary compliance is integral to FTB's success in tax administration. Approximately 83 percent of California's tax obligations are filed timely, correctly, and paid. The remainder of tax obligations are filed incorrectly, not reported timely, require correction or activity to collect an unpaid balance. These processes are the costliest way for FTB to carry out its mission because they attempt to recover revenue often with redundant systems and functions that are not shareable and reusable. EDR2 takes a proactive approach in identifying noncompliant tax behavior, encouraging voluntary compliance behavior, and using more data to reconcile all aspects of a tax return to further support California's voluntary compliance-based tax system.

The EDR2 project's Request for Proposal (RFP) was released on April 30, 2019. In May 2020, FTB received the final proposals with proposed solutions from the bidders. Contract Award to the contractor was made in June 2021 and the project began July 1, 2021. Since then, FTB's State and vendor staff have been planning, designing, and implementing various pieces of the multi-year project. Following the statewide process to support funding for larger projects, an annual Budget Change Proposal is required for new costs related to that year. This year's proposal requests an augmentation of \$107,075,000 and the full time equivalent of 42.0 permanent positions, and 4.0 limited-term positions FY 2025-26.

If these additional resources are not approved, delays will occur in the implementation of the EDR2 project and risks the availability and opportunity for FTB to adequately complete the tasks and address legacy systems that are using outdated technology. FTB will not be able to meet contractual obligations associated with the EDR2 project.

Increased and unnecessary risks to the contractor will result in the cessation of project activities or increased litigation risks to the state for failure to timely pay for services performed. Failure to ensure this project moves forward timely will eliminate FTB's ability to replace aging systems before end-of-life which could jeopardize the generation of revenue of approximately \$4 billion annually.

## **B. Justification**

FTB's primary function is to administer the California Revenue and Taxation Code (R&TC), which includes collecting the proper amount of taxes by assisting taxpayers in filing returns timely and accurately in the most cost-effective manner while operating other entrusted government programs.

FTB processes tax returns and payments, issues refunds to Californians, conducts audits and filing enforcement actions, collects debts owed the state and supports numerous service functions allowing for each of these compliance activities to occur. As a result of FTB's efforts, in FY 2023-24, FTB processed more than 23.8 million tax returns, over 9.3 million payments, responded to more than 2.7 million telephone calls, serviced over 55 million internet contacts, and collected about \$162 billion in revenue, representing approximately 78 percent of California's General Fund revenue<sup>1</sup>. The General Fund is utilized to fund necessary services for all Californians. FTB employees are vital to the processing of tax returns, assisting taxpayers and collecting revenues for the General Fund.

In 2007, FTB undertook an extensive and strategic business process analysis effort to align FTB's goals and strategies with initiatives designed to deliver breakthrough improvement for the department's systems and processes, and therefore increasing revenue to the State. Through these strategic planning sessions, FTB identified many opportunities to streamline processes, reduce waste, minimize redundancy, and reduce technology maintenance and operations costs. The result was a three-phase Tax System Modernization (TSM) effort to modernize FTB's systems environment to reach its strategic target architecture.

Phase 1 of FTB's TSM effort, the Enterprise Data to Revenue (EDR) project, was completed in 2016. The EDR project was successful and began to address business problems for FTB's Return Filing and Return Validation programs (specifically in the application of modeling and case management) and built the foundation for the next two phases of the TSM effort. The first phase included Imaging, Data Capture, Case Management (CM), Return Processing, Modeling, Taxpayer Folder, and MyFTB. The EDR project resulted in an enterprise data, modeling, CM platform and infrastructure with common services that can be expanded across the enterprise.

Phase 2 of the TSM effort is the EDR2 project, which began in 2021. This project as proposed and approved builds on the enterprise data, modeling, CM platform and infrastructure provided by EDR by expanding the enterprise CM and modeling to other systems and processes including Audit, Legal, Filing Enforcement (FE), and Underpayment. Phase 2 also expands the functionality for the Taxpayer Folder and MyFTB in addition to positioning FTB to decommission multiple legacy systems.

This phase will provide technology to move FTB compliance workloads to a single case management system and modeling tool as well as implementing new Audit, FE, and Underpayment compliance strategies. Moving the compliance workloads and processes to the enterprise platform also results in efficiencies across program operations. In addition, the EDR2 project presents an opportunity for FTB to address legacy systems that are using outdated technology. The following table shows the systems FTB plans to replace with EDR2 and their original implementation dates and ages.

---

<sup>1</sup>Revenue figures based on the 2023-24 Cash Report reported in the Department of Finance's July 2024 Finance Bulletin.

System	Date Implemented	System Age in Years (as of 2024)
ARCS	1999	25
INC	2001	23
PASS	1997	27

FTB has also begun and will continue to ramp up activities related to the successful transferring of knowledge regarding maintenance and operations of the new systems and processes.

As documented in the Management Requirement Deliverable (MRD) – Technology Management (TM) 21- Project Transition Plan and TM 23 – IT Asset Transition Management Plan, the EDR2 solution introduces new processes, roles, tools and technologies to FTB. Project success is dependent on FTB’s ability to manage and operate the EDR2 solution in production. Solution Provider turnover of the EDR2 solution to FTB technical staff, or Technical Knowledge Transfer (TKT) Transition, starts occurring during the project as established in these plans and at defined milestones throughout the project. The purpose of the TKT Program is to prepare FTB technical staff to take over Maintenance and Operations (M&O) of the EDR2 solution seamlessly and effectively at the defined transition points. TKT is critical to maximizing the revenue-generating potential of the EDR2 solution.

FTB will continue knowledge management and transition activities during fiscal year 2025-26 for final delivery of the EDR2 solution to FTB in January 2026 with full state acceptance of the solution in January 2027 (end of the warranty period). The following tables and graphics represent activities that need to occur (and by when) to ensure the successful transition of the EDR2 solution to FTB.

Transition Steps
Identify and Define New Solution Components
Identify and Define New Processes
Identify and Define New Roles
Map New Processes and Roles to Solution Component
Perform Resource Assessment (identify number of resources needed to support components)
Define TKT Plan for each role (knowledge, skills, abilities, training curriculum, individual development plan)
Start TKT for each role (See TKT Role Stages)

TKT Role Stages	Description
	The transition period for the resource(s) identified for the various roles is a minimum of nine months before transition occurs and the ownership role transitions to FTB at which time the FTB resource(s) are in the “Passenger Seat” (FTB has completed TKT and is working alongside the SP Project team) and they will move to the “Drivers Seat” in January 2026. See graphic below.
Pre-Crawl	Engage & prepare for Role Transition. <ul style="list-style-type: none"> <li>• Time to come up to speed on role prerequisites or engage in TKT tasks (if applicable to role)</li> <li>• Work with SP mentor and FTB lead to set due dates for EDR2 Individual Training Plan (EITP) tasks</li> </ul>
Crawl	Role Transition and shadowing begins with the SP Counterpart

Walk	Role Transition progresses to more independence with simple tasks
Run	Task execution becomes more independent.
Transition	Ownership of role has transitioned to FTB <ul style="list-style-type: none"> <li>• SP continues to manage project work until system transition</li> </ul>

The EDR2 project follows the California Department of Technology's (CDT's) Project Approval Lifecycle (PAL) Process. The most recent document approved for the EDR2 project was the Special Project Report (SPR) #1. The SPR #1 was approved on January 1, 2024.

The EDR2 project plans to achieve the following objectives in 2025-26:

- Utilize the new data analytic tools to support the development of new work including functionality for models, treatment paths, and data visualization (reports and dashboards);
- Perform data analysis and clean-up of the INC application data prior to the conversion of the data into the EDR2 case management platform;
- Analyze and resolve issues with collection cases that will not convert in an automated fashion prior to contractor's automated conversion from the PIT collection legacy to new system;
- Enhance the ability to successfully select best value cases for compliance efforts and complete quality cases efficiently;
- Ensure new data fields can be captured from paper returns and other stand-alone tax forms to assist with developing potential modeling strategies and business rules which will result in increased revenue;
- Develop and implement Training and Organizational Change Management activities to support FTB enterprise including the field offices who will utilize the systems impacted by the EDR2 project implementation and changes;
- Maintain the data integrity and availability in FTB's tax systems and their ability to perform critical state tax functions;
- Enhance the capabilities of the previously implemented solution that is used by the Underpayment BSOB to identify available assets to levy during the Personal Income Tax involuntary collection cycle;
- Perform design and development of change requests identified to resolve design gaps and implement in the final release of the project.

The department requests the following resources and funding to continue to support these activities to ensure a successful fifth year for the EDR2 project:

## **Enterprise Business Area Positions**

### **Accounts Receivable Management Division**

- **Field & Complex Account Collections Bureau**
  - **Sacramento Field Office Unit:**
    - **Senior Compliance Representative – One Permanent Position**

The Field Collection Unit in the Accounts Receivable Management Division (ARMD) actively pursues the collection of overdue personal income and business entity taxes. Their main objective is to ensure full compliance by directly engaging with taxpayers through in-person field calls when automated or desk collection methods have failed. In addition to this, field collectors assist field and central office units by conducting

research on public records, reaching out to third parties and taxpayers personally, and evaluating collectability.

The implementation of EDR2 has led to enhancements to data matching, new data sources, and data capture, all of which are expected to generate an increase in the quantity and quality of field collection cases. The field collection program will require one Senior Compliance Representative (SCR) to properly collect on an additional 145 to 230 cases and serve these additional customers timely.

Field collection involves the most advanced collection tools to assist taxpayers with coming into compliance after other collection actions and contacts have not been successful. The SCR position will allow FTB to exercise the appropriate level of scrutiny and analysis for the additional accounts anticipated with the EDR2 enhancements. This provides the best outcome for the taxpayer by gaining compliance and receiving timely communication on their account, and the best outcome for the state by resolving outstanding tax liabilities. These accounts require specialized knowledge, expertise in regulatory compliance, and the authority to act decisively. With the improvements created by EDR2, there is a need for an additional SCR; without the additional resource, there is a risk of backlog and delays in case collections which leads to revenue delays and losses.

- **Complex Account Resolution Team:**
  - **Overtime**

The Complex Account Resolution Team (CART) in the ARMD is responsible for the collection of personal income tax accounts with balances exceeding \$25,000 and the support of the Department's Top 500 Program. CART collectors resolve accounts by utilizing the latest technologies and enforcement tools. They also work to gain compliance through taxpayer education and outreach. CART collectors are FTB collection veterans who possess a broad knowledge and understanding of negotiation skills, telephone techniques, and collection remedies. They are empowered to make decisions as they resolve and collect some of California's largest and most complex tax delinquencies.

With the improvements created by EDR2, CART anticipates higher volumes and more complex collection cases being created and available to pursue. While the increase in volume and complexity represents improved case quality and is overall beneficial it will also increase the time it takes to administer the Top 500 program.

The ARMD is requesting 822 hours of overtime for the SCR(s) located within CART. Adding overtime hours for the SCR collectors will enable CART to process new inventory in a timely manner which will generate the needed revenue and enable CART to effectively manage the publication of the Top 500 list. Without overtime hours, this could create a backlog in cases assigned and worked, resulting in loss of program revenue and detrimental aging of collection cases.

- **Special Programs Bureau**
  - **Decedent Program:**
    - **Overtime**

The Decedent Program in the ARMD collects outstanding tax liabilities on deceased debtor accounts. The program processes formal probate cases and proactively resolves non-probated cases. The three key collection processes in this program are probate, litigation, and non-probate.

California Probate Code requires FTB to be notified of an open probate for a deceased taxpayer no later than 90 days after the date letters are first issued to a general personal representative or estate attorney. FTB has 18 months from the date of notification that a probate has been opened to file a claim against the estate.

With the improvements created by the EDR2 project, the Decedent Program anticipates having to file more claims due to a greater number and higher quality collection cases being created and available to pursue.

The ARMD is requesting 333 hours of overtime for the Compliance Representatives (CRs) located within the Specialized Collection Section, Decedent Program. The overtime hours will be utilized to file timely creditor claims, withdraw resolved claims, amend claims, take legal actions on rejected claims, process probate settlement offers, and pursue beneficiaries. Without overtime hours, this could result in an increased backlog of probate work, leading to missing crucial dates to file claims, which will lead to a loss of revenue.

- **Personal Income Tax Bankruptcy Unit:**
  - **Overtime**

The Bankruptcy Unit ensures that the department honors all bankruptcy laws, to collect amounts owing in a debtor's bankruptcy, and serves as a resource to the department in all bankruptcy matters. The unit receives notices of bankruptcy filings from the courts throughout the United States and from other sources. The unit also functions as a point of contact for the Attorney General's Office.

With the improvements created by the EDR2 project, the Bankruptcy Unit will experience an increase in cases with a greater collection potential. The ARMD is requesting 299 hours of overtime for the CR(s) and 46 hours for the SCR(s) to manage the additional cases, ensure bankruptcy laws are honored, collect the correct amount of tax, and assist the Attorney General's Office with sensitive cases.

Many of these cases come with strict deadlines mandated by the courts. Without overtime hours, this could result in a backlog of work, leading to missing important legal dates, which in turn could lead to a loss of revenue and possibly expose the department to Bankruptcy Court sanctions.

- **Business Entity Collection Bureau**
  - **BE Collection Operations Section:**
    - **Overtime**

The Business Entity Collection Bureau (BECB) in the ARMD assists delinquent California Corporations, Partnerships, and Limited Liability Companies to meet their tax obligation and pay the proper amount owed, while striving to keep them in business.

BECB handles compliance work generating from incoming collection telephone calls, MyFTB messages, live chat contacts, and written correspondence which result in

revenue collection. With the enhancements created by EDR2, BECB anticipates higher volumes and more complex collection cases being created and available to pursue.

The ARMD is requesting 300 hours of overtime for CR(s) and 93 hours for SCR(s) to provide customer service to taxpayers or their representatives via outgoing telephone calls and or correspondence, by explaining the provisions of the business entity income tax laws and collection processes administered by FTB.

The additional overtime hours will aid BECB in completing essential compliance workloads to maintain a satisfactory level of access and generate revenue.

### **Administrative Services Division**

- **Privacy Security and Disclosure Bureau**
  - **Security Operations Section:**
    - **Information Technology Specialist II – One Permanent Position**

The Privacy Security and Disclosure Bureau (PSDB) develops security policies and procedures to ensure confidentiality, integrity, and availability of FTB's information systems and to protect the information that they contain. The Security Operations Center (SOC) ensures that FTB's information security systems and data is maintained and in accordance with internal and external policies, standards, and guidelines.

EDR2 will adopt a new Azure Cloud computing environment to host applications that contain Personal Identifiable Information (PII), Federal Tax Information (FTI) and Tax Data, which requires new security solutions and configuration. The SOC is requesting an Information Technology Specialist II to perform the more complex configurations and monitoring of the new cloud environment to ensure FTB's confidential data is protected.

Specifically, this position will perform cloud security tool configuration, maintenance, and patching which entails installation and configuration of cloud security software including setting up rules, maintaining software updates including cloud software, and performing patches to software. The resource will also perform threat detection alert configuration and tuning which includes monitoring network traffic and setting alerts to detect threats. These alerts must be reviewed, updated, and refined regularly.

The IT Specialist II will conduct Azure security benchmark compliance monitoring to set benchmarks for security standards, monitor and analyze data from the cloud software, and update benchmarks based on the information and analysis conducted. This individual will also conduct threat hunting, event monitoring, and incident response to analyze and investigate alerts received through threat detection to determine validity of alerts.

Lastly, this position will provide Azure environment vulnerability management which includes scanning, monitoring, and patching servers deployed in the network. Staff will identify missing patches and vulnerabilities to correct and repair the vulnerabilities.

If this position is not approved FTB will not be able to effectively develop cloud security to protect PII, FTI and Tax Data. This may result in increased fraud attempts and data being accessed by unauthorized parties.

### **Audit Division**



- **Audit Services, Administration, and Protest Bureau**
  - **Protest Section:**
    - **Program Specialist II – One Permanent Position**

The Protest Section within the Audit Division is responsible for resolving protest cases resulting from taxpayers disagreeing with a proposed assessment from a tax return audit. Taxpayers have statutory rights to file protests of proposed assessments. Resolving protested audit cases is a mandatory workload for the Protest Section.

EDR2 technology enhancements include the introduction of new audit models, which will result in an increase of proposed assessments for individual, business, and pass through entity taxpayers. The increase in proposed assessments will result in additional protest cases at all levels of complexity. The Protest Section is requesting one Program Specialist II to address the increase in protests. The Program Specialist II will fulfill the role of a Hearing Officer who is responsible for reviewing the entire audit file, performing research, conducting oral hearings, ascertaining facts, weighing the evidence, and applying the facts to the applicable law to make an objective and unbiased decision to resolve the case.

Failure to increase the staffing level will negatively impact the protest workload. Insufficient staffing would result in slower case development, a larger inventory of open protests, and delays in administration of tax controversies facing the FTB.

### **Filing Division**

- **Filing Methods and Budget Bureau**
  - **Tax Forms Development & Distribution Section:**
    - **Overtime**

The Tax Forms Development & Distribution Section (TFDDS) is responsible for updating tax form products including tax forms, schedules, instructions, booklets, and publications. The implementation of EDR2 has led to enhancements that will allow an expansion of data captured from tax forms via automation. This additional tax form data will be utilized by downstream business areas to assist with compliance and collecting revenue. To capture additional data, applicable tax forms need to be revised to include new data capture fields and reviewed annually for any changes due to tax law changes or other impacts.

The TFDDS is requesting 613 hours of overtime for staff to coordinate, update, test, and provide both technical and policy review of the revised forms. These activities are required for both e-file and paper forms. Without these hours, new data fields will not be captured, resulting in the loss of new data needed by downstream business areas that conduct compliance and revenue collection activities.

- **Filing Methods and Budget Bureau**
  - **E-Programs Services and Analysis Unit:**
    - **Information Technology Specialist I – Two Permanent Positions**

The e-Programs Services and Analysis Unit is the business owner of the Filing Division's electronic return filing, electronic payment processing, and online self-service programs. The EDR2 platform is implementing eight to ten new self-service programs and one new account type within MyFTB (Withholding Agents) that will be managed

by the e-Programs Services and Analysis Unit. The applications being implemented range in complexity and include both Personal Income Tax and Business Entity content.

The e-Programs Services and Analysis Unit is requesting two Information Technology Specialist I positions to manage the new EDR2 self-service enhancements for MyFTB and non-MyFTB applications. These staff will perform a variety of tasks, including evaluating FTB's business needs, external customers' (taxpayers and their representatives) needs, and the department's technical capabilities to facilitate the maintenance and enhancement of web applications and services within MyFTB. Staff will serve as subject matter experts to provide technical solutions to business opportunities with an emphasis on delivering excellent customer experiences. This entails analyzing annual changes, enhancements, technical issues, developing solutions, presenting recommendations to enterprise-wide teams, writing detailed business requirements, and performing final client acceptance and quality assurance testing before changes to web applications and MyFTB are released to the public.

If these positions aren't approved, developing business requirements would take longer and FTB may be unable to implement all planned self-service options, or they may not be done timely. Issues that arise during or after implementation are unlikely to be resolved as quickly, potentially resulting in frustrated customers needing to contact the contact center for account resolution. Each of these impacts would result in a poor customer experience for taxpayers and their representatives looking to self-serve.

- **Filing Compliance Bureau**
  - **Filing Enforcement Section:**
    - **Tax Technician – One Permanent Position**
    - **Overtime**

The Filing Enforcement Section within the Filing Division is responsible for the department's processes that gather income and business activity information, identifies and contacts potential non-filers, and issues appropriate assessments to individuals and business entities that fail to comply.

EDR2 will improve data matching, through automated business rules, to allow for the right data to be used when determining an individual's filing requirement. EDR2 will also yield new data sources from third parties and additional data captured from returns. The new data sources and improvements in matching the data to the correct account will increase the number of non-filer cases. The Filing Enforcement Section is requesting one permanent Tax Technician to work the additional correspondence and protests resulting in the increase of non-filer cases. The Tax Technician will process and respond to taxpayer correspondence generated from request or demand notices. They will also resolve protested assessments, which includes making sure taxpayers protest rights are honored by applying the tax law correctly to determine if the taxpayer has a filing requirement.

If this position is not approved, FTB may not be able to respond timely to correspondence, causing additional wait times for other Filing Enforcement service channels. Customers may create duplicate contacts by calling or chatting while their

unresolved correspondence is pending. Delayed taxpayer account resolution, will cause a delay in taxpayer compliance with filing and paying the tax, penalties, fees, and interest they owe, resulting in delayed or lost revenue; and a negative customer experience.

The increased correspondence worked by the additional Tax Technician will result in an increased volume of items for review. The Filing Division is requesting 107 hours of overtime for the SCRs to provide quality review and technical support to staff to resolve complex technical and filing enforcement issues. The additional hours will also be used to assist with the increase in protest work due to the new PIT FE return and demand online services, case selection and matching improvements, new data sources for models, and the improved PIT FE strategies. Without the overtime hours, correspondence will not be reviewed timely and taxpayers accounts won't be resolved timely, resulting in increased contacts and a poor customer experience.

- **Filing Compliance Bureau**
  - **Withholding Services and Compliance Section:**
    - **Overtime**

The Withholding Services and Compliance Section (WSCS) manages the Voluntary Disclosure Program (VDP) and the Filing Compliance Agreement (FCA) program. Both programs were established to encourage entities and their shareholders to voluntarily disclose, file, and make full payment for all years they failed to file a California tax return. Voluntary compliance is the preferred path, as involuntary compliance is more costly and time consuming.

To participate, taxpayers must submit an application for either VDP or FCA and fully disclose all material facts for FTB to determine eligibility. EDR2 will be implementing an online service for taxpayers to submit these applications. WSCS is requesting 180 hours of overtime for the SCRs to review the applications and supporting information to determine applicant eligibility, respond back to the applicant regarding their eligibility, request and prepare returns and payments for processing, and maintain records. With the implementation of an online service, the SCRs will need to work on processing both paper submissions and electronic submissions. Without these overtime hours, FTB may be unable to appropriately support this taxpayer-requested online channel that will aid in taxpayer compliance and revenue.

### **Finance and Executive Services Division**

- **Procurement Bureau**
  - **Business and Technology Acquisitions Unit:**
    - **Information Technology Specialist I – One Permanent Position**

The Procurement Bureau is responsible for ensuring FTB receives the goods and services needed to perform its mission critical responsibilities. The bureau leads procurement planning efforts and manages procurement projects, conducts acquisitions within the highest ethical standards and in accordance with all applicable laws and provisions, and serves as a liaison with the Department of General Services (DGS) and the California Department of Technology (CDT).

In addition to the procurement activities which include conducting acquisitions, preparing purchase orders, serving as a point of contact for FTB vendors, and negotiating contracts, procurement staff also collaborate extensively with Technology Services Division staff to plan for upcoming procurements.

FTB's existing universe of IT contracts is approximately 350. EDR2 brings new innovative system solutions to enhance tax systems and customer service. These system solutions will require the procurement of goods and services to meet the project's objectives. As a result of EDR2, the Procurement Bureau is projecting that 37 additional software and hardware contracts will be added to its IT contract portfolio. The majority of these contracts are expected to transition to FTB starting in January 2026 through December 2026. The Procurement Bureau is requesting one Information Technology Specialist I to manage and maintain the ongoing renewals of these newly added agreements and any future upgrades as needed.

Existing staff are unable to absorb the incoming work without compromising their ability to meet required implementation or contract expiration dates. If the Procurement Bureau cannot support department needs timely, FTB could be faced with inadequate support, resulting in lost or delayed revenue, delayed services to taxpayers, and possible legal risks if contracts are not processed appropriately and/or timely.

### **Technology Services Division**

The EDR2 project has introduced highly complex technical environments needed to support both the custom EDR2 software and the many commercial-off-the-shelf (COTS) software solutions being delivered to FTB as part of the EDR2 project. EDR2 project success is dependent on FTB IT staff's ability to manage, maintain, and operate these highly complex technical environments. The complexity of these workloads and expanding responsibilities necessitates additional and higher classification levels of staff.

Per the EDR2 contract, many of the technology positions requested will support the current ongoing work to both build the EDR2 solution, but also continue the technical knowledge transfer and transition of the EDR2 system and solution to FTB. These positions will engage in the training and TKT program required for FTB to support and maintain the EDR2 solution by project implementation period ending in January 2026. This program is designed to focus on the key new processes, roles, technologies and functions of the EDR2 solution in which FTB has no prior experience or current expertise to fill these roles. These positions will augment the existing positions FTB already redirected into lead knowledge transfer roles required to support the EDR2 solution. Failure to obtain positions for these key specialties will make FTB unable to effectively support the EDR2 solution post project.

#### *Enterprise Procedure Environment*

- **Analysis Bureau**
  - **Case Management & Accounting Systems Analysis Services:**
    - **Information Technology Specialist I – One Permanent Position**

As FTB implements Collections, Audit, and Filing Enforcement functionality onto an Enterprise platform with the EDR2 project, business procedure writers use the enterprise procedure environment to understand new functionality and capture images of the system to create realistic and detailed user procedures. This allows procedure writers to create clear, detailed procedures that are available for training before the functionality releases. This requires the creation and maintenance of an environment with data conditioned to support the procedure writers' needs. It also requires the coordination of business and technology teams during the most critical time of the release. While technology teams are in the iterative cycle of coding, testing, and deploying; business procedure writers are working in the procedure environment simultaneously.

The Case Management Filing Analysis Section requires an additional Information Technology Specialist I position to assist with managing the enterprise procedure environment data setup, coordination, and communication brought forth by the EDR2 project.

The incumbent will perform the following key duties:

- Manage and coordinate procedure environment updates.
- Provision and manage procedure environment access.
- Create and maintain entities and entity-specific data.
- Create, condition, and maintain account data to support procedure documentation for specific scenarios.
- Communicate bugs, defects, and work arounds.
- Answer functionality questions for business understanding.

Scenarios and account conditions allow procedure writers to create user procedures and step-by-step instructions on how to manage specific case scenarios. As system functionality evolves with each release, procedures are created or modified. This resource request will ensure the procedure environment is available, system functionality is current, entity and account data are maintained, and staff have clear communication to meet business area procedure writers' needs. If this resource is not approved, the procedure environment will not be maintained and supported, negatively impacting the procedure writers' ability to document realistic and detailed user procedures.

#### *Enterprise Notice Services*

- **Analysis Bureau**
  - **Web & CCP Applications Analysis Section:**
    - **Information Technology Specialist I – One Permanent Position**
- **Development Bureau**
  - **Enterprise Services Development Section:**
    - **Information Technology Specialist I to Information Technology Specialist II – One Permanent Upgrade**
    - **Information Technology Associate to Information Technology Specialist I – One Permanent Upgrade**
- **Quality Assurance Bureau**
  - **Web & CCP Applications QA Section:**

- **Information Technology Specialist I – Two Permanent Positions**

FTB utilizes Enterprise Noticing Services (ENS) to generate and print both automated and manually prepared notices to send to taxpayers. The EDR2 project will incorporate underpayment notice types as part of ENS. This allows the notices to be stored in a central location which will increase FTB's ability to support taxpayers and collect the proper amount of tax. The Web & CCP Applications Analysis and Quality Assurance Sections request three Information Technology Specialist I positions to support the new notices through ongoing and routine maintenance to ensure notices meet evolving policy, law, and other mandated annual changes. During the fiscal year, these positions will be working alongside the Solution Provider to complete the technical knowledge transfer for M&O in preparation for assuming the full responsibility of the tasks by January 2026.

In addition, the ENS functionality will significantly expand, allowing additional systems and processes to provide notices to taxpayers and dynamic computations and features for managing notices will be added. These new functionalities will result in better customer service and compliance, however the expansion of ENS adds complexity to the developer's workload. To best support the increased complexity, the Enterprise Services Development Section is requesting to upgrade two positions. An upgrade from an Information Technology Specialist I to an Information Technology Specialist II is needed to oversee ENS architecture and integration with existing and new EDR2 Case Management noticing needs. With the increase in ENS notices and the expansion of ENS functionality, an upgrade from an Information Technology Associate to an Information Technology Specialist I is required to provide development support for ongoing maintenance of the notices.

#### *New Self-Services*

- **Analysis Bureau**
  - **Web & CCP Applications Analysis Section:**
    - **Information Technology Specialist I – Two Permanent Position**
- **Development Bureau**
  - **Web & CCP Applications Development Section:**
    - **Information Technology Specialist II – One Permanent Position**
- **Quality Assurance Bureau**
  - **Web & CCP Applications QA Section:**
    - **Information Technology Specialist I – Two Permanent Positions**

The EDR2 project will introduce new self-service capabilities to taxpayers. The Web & CCP Applications sections will be responsible for managing the following four new self-service applications; 1) Business Entity Exempt Organization, 2) Personal Income Tax Offer in Compromise, 3) Business Entity Offer in Compromise, and 4) PIT Innocent Joint Filer.

The Web & CCP Applications Analysis and Quality Assurance sections requests four Information Technology Specialist I positions to support the new self service capabilities. These staff will perform a variety of technical tasks including analyzing business change requests, systems analysis, high and low level solution design, coding, quality assurance, configuration management, and release management services to

ensure the four new self-services are up to date, compliant with tax law mandates and other federal and state laws to ensure taxpayers can leverage FTB's services easily with confidence in the services being reliable and accurate. This includes ongoing tasks of analyzing annual changes, business change requests, security rules and policy changes, accessibility rules and policy changes, technical issues, technical software upgrades, developing solutions, documenting technical specifications, documenting test cases and results to comply with IRS and State policies, maintaining solution production issues and deploying changes to FTB's website in a seamless and safe manner. During the fiscal year, these positions will be working alongside the Solution Provider to complete the technical knowledge transfer in preparation for assuming the full responsibility of the tasks by January 2026.

An Information Technology Specialist II position is needed to lead the ongoing software architecture design, coding, and integration of the new compliance self-service capabilities.

If these positions are not approved, vendor services would be required to support the new self-services beyond project implementation at a higher annual cost of \$1.4 million to the State. FTB would have to delay tax year related changes, legislative changes, optimization, and other maintenance which will impact taxpayer satisfaction with FTB's self-services which will increase taxpayer frustration and complaints. This would also result in more contacts via contact center platforms and/or correspondence which will require more costly support from program staff that could otherwise be served through automated self-services.

#### *Federal Tax Forms Data Capture*

- **Development Bureau**
  - **Case Management Audit & Collections Development Section:**
    - **Information Technology Specialist I – One Permanent Position**
  - **Intake Systems Development Section:**
    - **Information Technology Associate to Information Technology Specialist I – One Permanent Upgrade**

The Case Management Audit & Collections Development Section supports the development of Case Management for compliance workloads. For the first time, EDR2 will allow FTB to capture data via automation from paper-filed federal tax forms. The EDR2 project introduced functionality to capture data from forty-three federal forms. The Case Management Audit & Collections Development Section is requesting one Information Technology Specialist I position to gain the knowledge and skills from the EDR2 vendor necessary to support the processing of the forty-three federal forms.

Based on the tax form content, the Information Technology Specialist I will create data processing jobs with the appropriate business rules to ensure data from the federal forms is processed correctly or fall out for further analysis. The federal tax data from the forms is used to validate state returns and assist with FTB's compliance activities. Tax forms change annually and as the forms change, the business rules in Case Management will need to be reviewed and updated appropriately. This position will provide ongoing and routine maintenance to ensure effective compliance of evolving policy, law, and other mandated tax year changes.

Without the requested resource, FTB must establish a contract with a vendor to provide ongoing support activities for the processing of federal form data within Case Management at an annual cost of \$260,000.

The Intake Systems Development Section is responsible for scanning and converting tax form data, so it is readable and useable within Case Management. The introduction of forty-three federal forms increases the volume of the data capture workload for this section. In addition to the increased volume, there is an increase in complexity to process the federal forms. This is due to the form layout variations between the different tax preparation software providers. This variation creates differences in the paper tax forms and increases the complexity of capturing the data. To best support the growing workload and increased complexity of processing the forty-three federal tax forms the Intake Systems Development Section is requesting to upgrade an Information Technology Associate to an Information Technology Specialist I.

### *Third Party Data*

- **Analysis Bureau**
  - **Data Intake Analysis Section:**
    - **Information Technology Specialist I – Two Permanent Positions**
- **Development Bureau**
  - **Enterprise Data Development Section:**
    - **Information Technology Specialist I to Information Technology Specialist II – One Permanent Upgrade**

FTB acquires and leverages third-party information to improve tax return processing and ensure accurate income and asset information is reported and the proper amount of tax is paid. Third-party information supports compliance activities, including identifying better audit cases, detecting fraud, and issuing correct notices and bills.

The EDR2 project introduces fifteen new data sources and nine new third-party data marts to support underpayment, audit, and filing enforcement activities. The Data Intake Analysis Section requests two Information Technology Specialist I positions to support the new third-party sources and data marts. These resources will support the ongoing coordination with internal and external customers to develop and maintain data contracts with file transfer specifications. Additionally, they will monitor and validate incoming data regularly, complete requirements to move data downstream through FTB's enterprise data stores and manage the data marts used to support business reporting functions. These activities include ongoing and routine maintenance to ensure the applications meet evolving policy, law, and other mandated tax year changes. During the fiscal year, these positions will be working alongside the Solution Provider to complete the technical knowledge transfer in preparation for assuming the full responsibility of the tasks by January 2026.

The Enterprise Data Development Section oversees third-party data intake to ensure data aligns to the system and to the operational and analytical data needs of the department. This section is requesting to upgrade an Information Technology Specialist I to an Information Technology Specialist II to be a dedicated technical lead to oversee the third-party data intake as data evolves and transforms. They will ensure



that third party data is loaded, integrated, and processed consistent with FTB's technical standards. EDR2 changes the way third-party data is stored and made available to downstream business areas. Previously the data was stored in two places, now it is staged in three views and stored in data marts to be made available for data modeling in support of FTB's compliance activities. This expansion of the data pipeline increases the complexity of the workload performed by the specialist. In addition to the development duties performed by this specialist, they will also be responsible for onboarding and mentoring staff to ensure staff understand the changes to the data pipeline.

#### *EDR2 New Functionality*

- **Development Bureau**
  - **Web & CCP Applications Development Section:**
    - **Information Technology Specialist I – Two Permanent Positions**

Over the life of the EDR2 project, the scope of the EDR2 project provides that eight functional components will be implemented. Of the eight, the last two components are planned to be implemented by January 2026. These two final EDR2 functional components will require ongoing maintenance.

- Automatic Speech Recognition: This new functionality provides external customers with the ability to interact with FTB's Interactive Voice Recognition (IVR) system using their voice.
- Modify self-service channels to make self-services available to new external customers.

The Web & CCP Applications Development Section requests two Information Technology Specialist I positions to support the two final functional components implemented by the EDR2 project. The additional resources will ensure FTB meets its goal to transition the technical maintenance and operations of the EDR2 solutions from the solution provider as they will be responsible for the ongoing software development maintenance and enhancements of the new services. FTB will enhance the EDR2 solutions based on changing business needs and incorporate changes so the EDR2 solutions remain robust and secure. Without the requested resources, FTB must establish a contract with a vendor to provide technical maintenance and operations of the new EDR2 functionality.

#### *Technical Team Oversight*

- **Analysis Bureau**
  - **Web & CCP Applications Analysis Section:**
    - **Information Technology Supervisor II – One Permanent Position**
- **Development Bureau**
  - **Enterprise Services Development Section:**
    - **Information Technology Supervisor II – One Permanent Position**
- **Quality Assurance Bureau**
  - **Intake, Data & Integration QA Section:**
    - **Information Technology Supervisor II – One Permanent Position**

EDR2 is an extension of the solution provided by the first phase of the EDR project. The Analysis, Development, and Quality Assurance teams that currently support the solutions delivered by EDR will also support the solutions delivered by EDR2. This extension results in compounding complexity and growth of workloads for these teams. To support the workloads from the EDR2 solution, multiple teams have grown in both size and in number of workloads that they support. The Analysis Bureau, Development Bureau, and Quality Assurance Bureau have units that are impacted to the point that additional IT Supervisor II positions are required to ensure the span of control is appropriate and consistent with other technical areas in the bureau and department. Without these positions, there would be a high staff to supervisor ratio making it difficult for the existing supervisors to assist with the development and oversight of staff. This creates additional challenges for managing team workloads, coordinating with other technical teams to manage workload dependencies, and addressing workload management issues timely that all departmental tax programs are dependent on. The workload target is two to four workloads per supervisor depending on complexity and interdependencies with other systems to ensure a firm span of control over technical workloads.

For the Analysis Bureau, a supervisor at the Information Technology Supervisor II level is needed to oversee the External Applications and Self-Service Analysis Unit that will support a variety of complex web-based applications and services that integrate with FTB's tax and compliance systems. This section will provide analysis support for the additional self-service solutions generated by EDR2.

Today, Web & Contact Center Platform Applications Analysis Section is made up of two units which are overseen by two supervisors. The additional Information Technology Supervisor II position would spread nine complex workloads and thirty-three staff amongst three supervisors instead of two, ensuring an appropriate staff to supervisor ratio. The section will be reorganized with one unit providing analysis support for the contact center platform and internal administrative automated services. The second unit will be dedicated to analysis support for ENS, Taxpayer Folder, taxpayer demographic information, and business to business services. The newly created unit will be dedicated to tax filing and payment self-services.

For the Development Bureau, a supervisor at the Information Technology Supervisor II level is needed in the Enterprise Noticing Service Unit that will support the expansion of FTB's ENS. As mentioned above, ENS will generate additional notices as a result of EDR2. Additionally, enhancements to ENS will allow additional systems and processes to provide notices to taxpayers and will add dynamic computations and features for managing notices. ENS generates and sends notices directly to taxpayers, thus it is imperative that the noticing service is stable, accurate, and timely which requires additional oversight and support. If notices are issued incorrectly or in error, taxpayers may lose trust and confidence in the communication they receive from FTB, which will impact our ability to help them file and pay the correct amount of tax, which could delay revenue collection.

Today, the Enterprise Services Development Section is made up of two teams which are overseen by two supervisors. The additional Information Technology Supervisor II position would spread six complex workloads and twenty-two staff amongst three

supervisors instead of two. This section will be reorganized with one unit providing development support for business to business services and legacy system architecture services. The second unit will support Taxpayer Folder, taxpayer demographic information, and data sharing between systems and Taxpayer Folder as these workloads are closely related and have strong interdependencies. With this new Information Technology Supervisor II position, a new unit will be dedicated to ENS. This workload is expected to have more frequent changes and maintenance than other solutions, and it is important to have a dedicated supervisor as it requires a greater depth and breadth of understanding to provide adequate levels of supervision and management support. This will help balance the workloads within the section and provide equal oversight and support to the staff.

Today, the Intake Data & Integration Quality Assurance Section is made up of three units which are overseen by three Information Technology Supervisor IIs. The additional Information Technology Supervisor II position would support a new Data Reports & Visualization Quality Assurance unit to support the additional asset hub, reports, and data visualizations workloads generated by EDR2. This will also support the realignment of eight staff from multiple teams under the Case Management Quality Assurance Section to the Intake Data & Integration Quality Assurance Section, which will better organize the work performed in each section and will provide a balanced span of control.

With this new team, the Intake Data & Integration Quality Assurance Section will be made up of fifty-six staff and thirteen workloads across four units. The Data Interfaces QA Unit will provide quality assurance services for program interface testing for EDR and will provide testing support for web services, third-party data, ongoing legacy systems, database connections, and Taxpayer Folder. The Intake Systems QA Unit will provide quality assurance services for FTB's paper and electronic intake systems that store, repackage, and distribute tax return, payment, and correspondence data to all downstream processing systems. The Data QA Unit will provide quality assurance services for loading external customer data to data warehouses to support enterprise data modeling. The new Data Reports & Visualization Quality Assurance Unit will provide quality assurance services for the new asset hub, data reports, and data visualizations generated by the EDR2 project.

#### *Infrastructure Services*

- **Infrastructure Services Bureau**
  - **Platform Support Unit:**
    - **Information Technology Specialist I – Four Permanent Positions**
    - **Information Technology Specialist II – One Permanent Positions**
  - **Enterprise Database Mgmt Section:**
    - **Information Technology Associate to Information Technology Specialist I – Two Permanent Upgrades**
  - **Network Virtualization & Storage Engineering Section:**
    - **Information Technology Specialist I to Information Technology Specialist II – One Permanent Upgrade**

The Infrastructure Services Bureau is requesting five Information Technology Specialist positions to support new workloads administering technology solutions introduced by the EDR2 project.

- One Information Technology Specialist I for Container Application Server Management
- Two Information Technology Specialist I for Container Platform Administrator
- One Information Technology Specialist I Data Visualization Services Administrator.
- One Information Technology Specialist II for Distributed Computation Engineer.

These positions will configure, test, patch, upgrade, tune, troubleshoot, and monitor these solutions to keep them secure, updated, and operating efficiently. The following is more detail on each of these technologies and the positions needed to support them. During the fiscal year, these positions will be working alongside the Solution Provider to complete technical knowledge transfer in preparation for assuming the full responsibility of the tasks by January 2026.

**Container Application Server Management:** The EDR2 project solution is introducing container technology to FTB application servers. A container is a relatively lightweight package of everything an application needs to run, including the application code, system tools, code library files, settings, and the runtime platform. A container includes the container application server and can be deployed in single or multiple instances, scaling as needed to meet processing demands.

There isn't just one set of container application servers. The container application servers will service at least 18 distinct environments and require frequent and timely configuration and deployment to mitigate security vulnerabilities and keep the container technology current. Each of our 18 different environments needs a set of resources to accomplish this work. This type of application server is managed fundamentally different than application server management we perform today. The container application servers will host multiple enterprise class applications with integrations to other services at a high complexity. This position will work at the Information Technology Specialist I level.

**Container Platform Administrator:** The container application servers that the EDR2 project solution is introducing are hosted in a container platform. This container platform is a new technology for FTB and an additional workload. It is a quickly evolving platform with a short product support lifecycle resulting in more frequent version upgrades of the platform. The platform will support many enterprise applications with varied requirements and dependencies, resulting in high levels of research, testing, and troubleshooting of upgrades and patches. It is a heavy enterprise use technology with multiple instances of scaling to need but requires significant operational oversight and tuning. The container platform is a solution that provides the foundation and function for managing the containers, their dependencies, deployment, and operation.

Two Information Technology Specialist I's are needed to support this work.

**Data Visualization Services Administrator:** The data visualization services that the EDR2 project solution is leveraging allows a better understanding of data using business

intelligence analytics to reveal patterns and visualizations of the data via reports and dashboards. This new workload relies heavily on creating automation scripts as a method of administering the technology and the reports. The administrator will be responsible for configuring, patching, updating, and securing the platform, monitoring the operation, tuning performance, and authoring the scripting to accomplish the automation of the workflows and processes within the platform instances that serve the 18 different environments. The Information Technology Specialist I will also be responsible for resolving incidents with the platform.

**Distributed Computation Engineer:** Distributed computing is the method of making multiple servers work together to solve problems. A distributed system is an environment where multiple devices, all spread across a network, are working on a variety of tasks. Components within distributed systems split up the work, coordinating efforts to complete a given job more efficiently than if only a single device ran it.

The EDR2 project solution is introducing distributed computation systems. These new systems will service 18 distinct environments. Computing environments refer to the technology infrastructure and software platforms that are used to develop, test, deploy, and run software applications. An Information Technology Specialist II is needed to support the complex work of designing, implementing, and maintaining the distributed computing systems

**Database Administrator:** The EDR solutions have added eight additional MSSQL servers with 392 additional databases. The Enterprise Database Management Section is requesting funding to upgrade two Information Technology Associates to Information Technology Specialist Is to perform database administrator functions for the increasingly complex workloads.

**Data Protection:** The Network, Virtualization & Storage Engineering Section is requesting funding to support an upgrade of an Information Technology Specialist I to an Information Technology Specialist II due to increase in complexity of the data protection strategy and systems required to provide backup and restoration services to the additional networks, platforms, and locations.

#### *Infrastructure Services Oversight*

- **Infrastructure Services Bureau**
  - **Server Engineering Section:**
    - **Information Technology Manager I – One Permanent Positions**
  - **Enterprise Database Management Section:**
    - **Information Technology Manager I – One Permanent Positions**
  - **Server Engineering Services:**
    - **Information Technology Manager II – One Permanent Positions**

The technologies and systems introduced by the EDR2 project increases complexity and scope of the workload under multiple managers within the bureau. Because of the complexity of the work and consequence of error, the bureau's direct supervision level is at the Information Technology Manager I level.

The Server Engineering Section is currently made up of two units that perform separate and distinct functions. One of the units provides servers services based on Microsoft

Windows server operating systems, third party products that integrate and run on those servers, and other appliances or technologies that meet technical needs of our customers. The staff on this team develop and analyze technical requirements, research technology solutions, design, plan, install, configure, test, operate, maintain, troubleshoot, and repair server systems and the services they provide. The unit is currently staffed with eighteen Information Technology Specialists to one Information Technology Manager I.

The unit's span of control and consequence of error are increasing due to the addition of the Cloud Landing Zone by EDR2. The Cloud Landing Zone (CLZ) is another network area that is housed in a cloud data center instead of at FTB's data center location. The CLZ requires all security controls our current network does and some additional controls and considerations, has different management methodology and tools, and takes additional and/or different knowledge, skills, and abilities to administer. An additional Information Technology Manager I is needed to appropriately group the staff and workload, provide sufficient support, and oversight of the team members, and appropriately distribute the span of control between the existing manager and the new Information Technology Manager I, resulting in nine staff members reporting to each Information Technology Manager I. If this position is not approved the existing manager will not be able to provide an appropriate amount of support for team members, oversight of workload and performance, or maintain sufficient involvement in all areas under their span of control to maintain awareness and ability to manage the program area efficiently and effectively.

The Enterprise Database Management Section is in a similar scenario. Currently there are two units that provide Database Support. EDR2 adds additional complexity and solution components to the span of control of one of the existing Information Technology Manager I that currently has 15 direct reports for a highly complex workload. An additional Information Technology Manager I is requested to split that team into two, which will reduce the staffing ratio for the oversized unit from 15 staff to two teams of seven to nine staff. This will allow for an appropriate span of control for each manager, sufficient support for team members, and proper oversight of workload and performance. If this position is not approved the existing manager will not be able to provide an appropriate amount of support for team members, oversight of workload and performance, or maintain sufficient involvement in all areas under their span of control to maintain awareness and ability to manage the program area efficiently and effectively.

The span of control at the sub-bureau level has also increased. Each of the two current Assistant Bureau Directors (Information Technology Manager II) has at least five different technology units reporting to them. Each unit supports several enterprise technology solutions with critical impact to the department. Due to increased staffing numbers via this and previous BCPs, increased technology services and solutions from EDR2, and two additional IT Manager I's via this BCP, an additional IT Manager II is needed. The third Assistant Bureau Director will allow for the appropriate distribution of support responsibilities for mission critical technology solutions, proper oversight, collaboration, support, and management of these complex units. The five units that support all the servers would report to the new Assistant Bureau Director. The five units that support all databases and other platform technologies would report to an existing Assistant Bureau Director. The units that support telecommunications, network

engineering, virtualization technologies, storage technologies, and data protection technologies would report to the second existing Assistant Bureau Director.

If this position is not approved the existing Assistant Bureau Directors will not be able to provide an appropriate amount of oversight and support for subordinate managers and their units. They will not be able to maintain sufficient involvement in all areas under their span of control, which will inhibit their abilities to plan, set policy, and appropriately manage all the program areas under their span of control efficiently, effectively, and strategically.

### *Enterprise Architecture*

- **Enterprise Architecture**
  - **Chief Technologist Office: Enterprise Architecture Office:**
    - **Information Technology Specialist II – One Permanent Position**

Enterprise Architecture (EA) provides strategic plans, frameworks, models, standards, and roadmaps to guide FTB's staff and vendors toward FTB's best and most fiscally prudent business and technological future in support of FTB's mission. EA also provides an essential oversight role to ensure proposed solutions leverage existing investments and do not introduce unnecessary complexity that negatively impacts long-term maintenance costs and resource needs, system uptime and availability.

EDR2 has further built upon the Enterprise Tax Systems software platform that EDR brought in for Case Management & Taxpayer Folder services. EDR2 expanded the use of the existing software platform to meet the needs of the new business functionality. The addition of new software components increased complexities with software integrations between the new and existing software making software upgrades more challenging to plan and execute and the risk to FTB's mission critical operations more serious.

FTB requests one IT Specialist II position to provide dedicated focus on the buildout and successful integration of EDR2 technologies within the existing Enterprise Tax System platform, as well as ensuring FTB's technology stack is well-positioned for its EDR3 project. Specifically, the position will perform the following:

#### IT Research & Strategic Planning

- Create, update, and maintain detailed technical and business capability models.
- Research and identify opportunities to innovatively apply and expand Enterprise Tax System capabilities to solve enterprise IT challenges.
- Provide EA support, including master planning for multi-year efforts, for onboarding and decommissioning Enterprise Tax System components to ensure they remain aligned with target architecture models.

#### EA Technical Architecture

- Work collaboratively with the technical architects to plan, define, and implement Enterprise Tax System changes as software components evolve with a focus on the stability of the Enterprise Tax System.
- Address and solve Enterprise Tax System's technical component integration challenges.

Because EDR2 built upon the foundation of the Enterprise Tax System platform, we anticipate a higher consequence of error when platform issues arise. Without this dedicated position and focus, FTB will not be able to succeed in planning and implementing the future software upgrades, complex integration points, and seamless interoperability between Enterprise Tax System technical components.

## **Legacy System Data Clean-up/Conversion Function**

### **Accounts Receivable Management Division**

- **Advisory, Analysis, & Services Bureau**
  - **Systems Analysis Team:**
    - **Compliance Representative – Three Six-month Limited-term Positions**
    - **Administrator I – One Six-month Limited-term Position**

The ARMD's primary case management collection system, ARCS, is being replaced in the EDR2 project. The legacy case management system includes Personal Income Tax (PIT) and Business Entity (BE) Tax delinquent debts, collection history, and contact history. The ARMD received four limited-term positions in FY 2023-24 to manually analyze and resolve collection cases prior to and after the vendor's automated conversion from the BE Tax collection legacy system to the new system.

The limited-term Compliance Representative positions are effective January 1, 2024, through June 30, 2025, and the Administrator I position is effective July 1, 2023 through June 30, 2025. Although the positions were scheduled to start on January 1, 2024, the work was delayed due to data conversion challenges, and the hiring was postponed to July 1, 2024. Due to the delay, an additional six months is needed to complete the data clean-up and conversion. Thus, FTB is requesting to extend the four limited-term positions to December 31, 2025.

The Compliance Representatives will continue to analyze and resolve accounts in the legacy collection system to ensure data integrity and maximize the effectiveness of the automated data conversion the new case management system. They will also continue to track and report common issues to assist with account conversion by analyzing and resolving accounts in the legacy collection system that did not convert to the new case management system. Extending the limited term positions will allow for a smooth transition from the current legacy BE system to the new enterprise tax system.

## **Training and Procedures**

### **Administrative Services Division**

- **Organizational Development and Talent Management Bureau**
  - **Enterprise Talent Development Section:**
    - **Staff Operations Specialist – Seven Permanent Positions**
    - **Senior Operations Specialist – One Permanent Position**
    - **Administrator I – One Permanent Position**

Training and procedures are critical to the EDR2 project to ensure enterprise and field office staff are trained and understand how to perform their job with EDR2 project implementation and changes. FTB needs to have adequate resources to continue to



manage procedures, training materials, and training classes with the significant new processes and solutions being introduced to ARM, Audit, and Filing Divisions as a result of EDR2.

The Enterprise Talent Development section is responsible for providing training and development for FTB's staff. EDR2 brings new functionality to FTB's enterprise-wide systems which require FTB staff to be trained to perform their duties and assist internal and external customers effectively. This is achieved through creating and delivering instructor-led and on-line training and providing procedures for enterprise-wide systems. The Enterprise Procedures & Training Program within the Enterprise Talent Development Section requests seven Staff Operations Specialist (SOS) positions for the development and maintenance of Interactive Computer-Based Trainings (iCBTs). These positions will be responsible for the development and delivery of new iCBTs and maintaining iCBTs created by both the solution provider and FTB. Building and maintaining the iCBTs is needed throughout the year to capture enhancements, annual changes, and new functionality deployed within FTB's enterprise systems.

The Enterprise Procedures & Training Program is also requesting one Senior Operations Specialist position to lead the effort in providing training, development, and maintenance of the EDR2 iCBTs. This lead position will review the work performed by the seven SOS positions to ensure the training material is complete, accurate, and timely.

The additional work and increase in staffing will create a span of control issue for the Enterprise Procedures & Training Program. Today, the Enterprise Procedures & Training Program is made up of two teams, the Enterprise Training and Enterprise Procedures teams, which are overseen by one Administrator II. The Enterprise Training team consists of one Administrator I and 11 staff. The Enterprise Procedures team is made up of 10 staff, does not currently have an Administrator I, and is overseen by the Administrator II. The Enterprise Procedures & Training Program is requesting one Administrator I to oversee the Enterprise Procedures team. This position will provide leadership, guidance, and oversight to staff who are responsible for the delivery, maintenance, and future creation of the EDR2 iCBTs.

Without these positions, the enterprise will be unable to develop, provide and maintain EDR2 training for staff. Inadequate training will result in staff having difficulties understanding and adapting to new functionality and implementing procedures and processes, which will impact the customer experience, enforcement efforts, and revenue.

## **Operating Expenses and Equipment**

### **Compensation Payments to the Contractor – \$90,392,000**

This funding is necessary to ensure FTB can pay the contractor for services performed. The EDR2 contract is a fixed price contract. The state must pay the contractor seventy (70) percent of the cost of the functionality that has been delivered and accepted by the state. The remaining thirty (30) percent of this cost is subject to the state realizing benefits. The compensation payable cannot exceed costs incurred and is subject to various caps under the terms of the contract. The amount payable is calculated using

the total cost of the state-accepted and successfully deployed compensation deliverables. For the fifth year, the maximum potential payment for the 2025-26 contractor compensation is estimated at \$90,392,000 for costs incurred and assuming the state realized enough benefits to cover the costs incurred for those related deliverables. These costs have been reduced by the statutory holdback amount deployed across the entire project.

Total compensation paid must not exceed the Total Contract Amount (TCA) in any quarter or year. The cumulative amount of compensation paid out over the term of the EDR2 contract must not exceed the percentages of the TCA, listed below, which is inclusive of the required withholding rule:

- a. 5 percent of the TCA at the end of quarter one (1) through quarter two (2) of the EDR2 contract;
- b. 15 percent of the TCA at the end of quarter three (3) through quarter four (4) of the EDR2 contract;
- c. 34 percent of the TCA at the end of quarter five (5) through quarter six (6) of the EDR2 contract;
- d. 44 percent of the TCA at the end of quarter seven (7) through quarter eight (8) of the EDR2 contract;
- e. 55 percent of the TCA at the end of quarter nine (9) through quarter ten (10) of the EDR2 contract;
- f. 65 percent of the TCA at the end of quarter eleven (11) through quarter twelve (12) of the EDR2 contract;
- g. 75 percent of the TCA at the end of quarter thirteen (13) and fourteen (14) of the EDR2 contract;
- h. 84 percent of the TCA at the end of quarter fifteen (15) through quarter sixteen (16) of the EDR2 contract;
- i. 92 percent of the TCA at the end of quarter seventeen (17) through quarter eighteen (18) of the EDR2 contract; and
- j. 100 percent of the TCA at the end of quarter nineteen (19) through the end of quarter twenty-two (22).

Under the terms of the contract, FTB will seek an appropriation equivalent to the maximum potential payment for any year. This is a requirement even in years where the contractor's projected revenue for the year is not estimated to be sufficient to cover the maximum payment and therefore will bar payment of the maximum amount. Full and robust information is not known to accurately determine the revenue on which payment is based and if projections are lower than actuals and the vendor is entitled to a higher payment, this strategy will allow FTB and the state to accurately compensate the vendor for reimbursable amounts.

As the maximum payment may not be due and payable in any one year, FTB is requesting the following annual provisional language to allow for any funding not used to carry over to the next fiscal year.

*Of the funds appropriated in Schedule (1), in the 2025-26 fiscal year for EDR2 vendor compensation, any unused amount is allowed as one-time carryover to the subsequent*

*fiscal year to support the vendor payment due to the vendor for services performed and subject to payment.*

In FY 2025-26 the contractor tasks include EDR2 project management activities; procurement and installation of hardware and software for the EDR2 solution; EDR2 project deliverables, such as the Management Requirement Deliverables (MRDs); implementation of scheduled business functionality (in the form of compensation deliverables); data conversion; and operational support for implemented business functionality.

### **Additional Compensation Payments for Unplanned Work to the Contractor - \$4,798,000**

Under the terms of the contract, up to 5% of the total contract amount should be funded for unplanned tasks. This amount is for event(s) where work must be performed which was unplanned, aligns with the existing scope of the project, and is necessary for any of the following reasons: the successful implementation and/or operation of the system, the successful accomplishment of the EDR2 Project objectives as defined in Request for Proposal Part 1, or for any other reason in the sole judgment of the State. To meet the terms of the contract and protect all parties to the contract, FTB will annually request \$5,000,000 or 5 percent of the vendor compensation payment, whichever is greater, as an annual appropriation through December 31, 2026, not including the maintenance and operations portion of the contract. Annually, any unused amount will be subject to re-appropriation in the following years and available for expenditure over the life of the project. Any funds provided that are not expressly used for the specified purposes shall revert to the fund from which they were appropriated at the end of the project.

For 2025-26 fiscal year, FTB requests \$4,798,000 for additional unfunded compensation payments. The amount requested is less than the greater of the contract term amounts (\$5,000,000 or 5 % of the vendor compensation payment) because the max of 5% of the total contract amount will be met with the additional funding of \$4,798,000. Additionally, FTB is requesting the following annual provisional language to allow for any funding not used to carry over to each succeeding fiscal year over the life of the project.

*Funding on this item includes an amount for additional payments for the EDR2 project in order to accommodate an event where work must be performed which was unplanned, aligns with the existing scope of the project, and is necessary for the successful implementation and/or operation of the system, the successful accomplishment of the EDR2 goal, or any other reason in the sole judgement of the State. Of the funds appropriated for amounts for unplanned work, these funds can only be used to cover payments in the event a budget request for augmentation cannot be timely submitted for funding in the year payment is due. Of the funds appropriated for unplanned work, any unused amount is reappropriated in the next fiscal year and each subsequent fiscal year over the life of the project until finalized. All amounts unused at the end of the project shall revert to the General Fund.*

### **IT Asset Transition Software - \$559,000**

The EDR2 project will begin the transition of IT software assets from the EDR2 vendor. During the IT software asset transition, FTB will collaborate closely with the vendor along

with software manufacturers and software providers, to facilitate the transfer of software licenses and entitlements or to establish new software subscriptions as necessary.

The software transition falls into two segments: productivity software and server software. The productivity software is essential for equipping FTB staff with the necessary tools to support the EDR2 solution throughout its maintenance and operational phases. The productivity software will be used to implement new features, apply software patches, and execute software upgrades. Server software are operating systems critical for hosting EDR2 components, software scanning tools to ensure proper security and software patching levels of the EDR2 components, and network security software designed to detect and prevent malicious activities on FTB's network and thus safeguard taxpayer data.

FTB requests funding to secure these software resources to ensure continuity of technical operations as the EDR2 solution transitions from vendor support to FTB support. Should the funding request be denied, FTB's ability to maintain or host EDR2 components will be severely compromised, adversely affecting revenue-generating tax compliance activities. Furthermore, the absence of this funding may result in FTB's inability to meet the State Administrative Manual (SAM) 5300.5, Minimum Security Controls thereby placing taxpayer data at risk of exploitation by malicious actors and negatively impacting FTB's overall security posture.

#### **Non-standard software – \$49,000**

To support the EDR2 project objectives, as reflected in the EDR2 SOW, FTB is responsible to provide necessary non-standard productivity and server software to be used during the implementation of the EDR2 solution. The non-standard productivity software will be used to develop end-user training materials, and the non-standard server software will add additional capacity needed to implement planned EDR2 functionality. Funds are requested for non-standard software to allow the consultants to successfully implement new EDR2 functionality and meet the EDR2 technical performance requirements. The non-standard software must be secured for the EDR2 project to achieve the strategic goals of EDR2 project and to meet the state's SOW mandate.

#### **Non-standard Software Refresh and Maintenance – \$778,000**

To support the EDR2 project objectives as reflected in the EDR2 contract, FTB is responsible to provide and maintain necessary non-standard server software to be used during the implementation of the EDR2 solution. The non-standard server software will be used by software development staff to manage and deploy software code and will be used by testing staff to create, update, manage, and execute testing scripts. Funding for Okta Auth0 is a new solution added to the FY 2025-26 request. The new enterprise Software-as-a-Service (SaaS) solution is required to establish compatibility and communication between the EDR2 upgrade and FTB's current applications to allow users of MyFTB to authenticate and use the web service. The non-standard server software must be refreshed to ensure FTB meets its EDR2 deliverables and to ensure the necessary tools to deliver a quality EDR2 solution remains in place.

#### **Refresh Contractor Hardware and Software - \$206,000**

To support the EDR2 project objectives, as reflected in the EDR2 SOW, FTB is responsible to provide and maintain necessary hardware and software to be utilized by FTB staff and contractor consultants for the EDR2 project to plan, design, build, test, and deploy the EDR2 solution. Funds are requested to refresh 75 laptops and the basic FTB standard and non-standard software, four years after original purchase, to allow the consultants to do the job and comply with FTB security requirements. These hardware and software elements must be secured for the EDR2 project to achieve the strategic goals of the EDR2 project and to meet the state's Statement of Work (SOW) mandate.

### **Independent Verification and Validation (IV&V) and Quality Assurance (QA) Consultant Service – \$1,556,000**

IV&V oversight consultants primarily focus on ensuring the project development adheres to project management best practices and standards to deliver high quality products/solutions and provide on-going insight into complex projects. The IV&V consultants identify and document any project findings that are used to drive continuous improvement in the quality of products/solutions with regular evaluations, reporting, and communications. The project findings provide clarity about the overall state of the project, identify process improvement opportunities, and help forecast roadblocks before they become project impediments. This involves both verification of project processes and validation of work products.

QA consultants primarily focus on optimizing processes and standards that deliver quality products/solutions and ensure that they meet the specified requirements and standards, and that customers consistently receive a high-quality product/solution. QA is a proactive approach where defects are detected before a product/solution is implemented.

Per the SAM Section 4940.3, "IV&V services are required for all reportable projects classified as medium or high criticality and must begin on or before the proposed project start date." The EDR2 project is classified as medium criticality. In addition, the CDT strongly recommends that FTB procures QA services in addition to IV&V services.

IV&V services began June 2021 and conclude when the EDR2 solution is implemented in December 2026. QA services began July 2021 and conclude when deliverables are met in December 2026. Funding is requested annually throughout this period.

### **Independent Security Assessment Consultant Service – \$400,000**

The EDR platform allows FTB to modernize the information technology systems and processes across the enterprise. This effort to FTB's operations is to increase efficiencies and services to taxpayers, maximize transparency, and ensure compliance. EDR laid the foundation for Tax System Modernization by delivering the infrastructure and software architecture for a consolidated platform with common business functions and services. EDR was the largest technology project ever implemented by FTB. EDR included ten major releases over a five-year period. The state-of-the-art technologies and reengineered business processes impacted over 4,000 staff with the potential to impact every taxpayer. EDR focused on capturing more data, using this data for enhanced return and fraud analysis, sharing the enhanced data across multiple business areas, and connecting standalone IT systems.

Phase 2 of the project (EDR2) builds upon the platform implemented by EDR to deliver enterprise case management and modeling, decommission outdated legacy systems, and increase services to taxpayers.

Both EDR and EDR2 platforms are very large, complex systems that contain Federal Tax Information and personally identifiable information on every California taxpayer. Due to the type of confidential data FTB collects and stores, this makes FTB a target for adversaries including criminals, inside attackers, and hacktivists. FTB must stay one step ahead of these adversaries and protect the data.

A project with the size and scope of EDR2 will need outside security assessments to ensure that the vendor is not introducing new risks via security vulnerabilities to the state. These independent assessments bring in not only SMEs to perform penetration testing but also an outside look at the system as a whole. The objectives of the proposed independent security assessment are twofold:

1. To establish a baseline for evaluating and performing vulnerability and penetration testing against EDR systems, which include Internal Taxpayer Folder, CM, and MyFTB online application. In addition, a security assessment will be conducted annually throughout the EDR2 project life cycle. Both the initial baseline and the annual assessment report will provide an objective assessment of the level of risk to these systems and provide options to remediate them.
2. The initial baseline compared with the annual assessment report will help the EDR2 project team identify the vulnerabilities introduced by changes for EDR2. FTB's EDR2 contractor will call for these independent security assessments, including the initial baseline, and require the vendor to address any new vulnerabilities that are introduced as a result of the EDR2 solution.

If the vulnerabilities are not identified during the EDR2 project and attributed to the project, the contractor will not be responsible for fixing them. The independent security assessment will allow FTB to identify security gaps during the duration of EDR2 project, as well as reduce FTB's risks of confidential data leakage, breaches, and unplanned outages of EDR/EDR2 systems for business.

Independent security assessment consultant services began July 2021 and conclude when the EDR2 solution is implemented in December 2026 and funding is requested annually throughout this time period.

### **CDT's Independent Project Oversight Consultant Service – \$222,000**

The CDT's Independent Project Oversight Consultant (IPOC) service is responsible for developing an Independent Project Oversight Report (IPOR) for projects classified as medium or high criticality. The IPOC analyst ensures the project and department is following their internal processes, procedures, and project plans. The IPOC analyst also works with the IV&V and Planning, Project Oversight, and Risk Management (PPORM) Bureau to ensure the department is following policies stated in the SAM and State Information Management Manual (SIMM). Per SAM Section 4819.36 and 4940.1, the IPORs must be completed by the CDT's IPOC monthly. The EDR2 project is classified as medium criticality.

IPOC services began July 2021 and conclude when the EDR2 solution is implemented in December 2026 and funding is requested annually throughout this period. Cost of IPOC services increased and funding requested reflects the updated CDT rates.

### **CDT's Gov Cloud Services - \$373,000**

With the EDR2 Project, FTB is building upon and leveraging much of the technical architecture implemented during the EDR1 Project while introducing new, key technologies to advance the technical architecture implemented during the EDR Project. A common theme across those new, key technologies is that those technologies are "Cloud" ready. The EDR2 Project will leverage Microsoft Azure government cloud Infrastructure-as-a-Service (IaaS) to deploy the new, key technologies into development and test environments. This measured approach minimizes risk to production workloads while allowing FTB to take advantage of IaaS features such as the ability to easily provision new development and test environments and decommission environments no longer needed, performing system maintenance activities, applying software upgrades, and applying security patches. The ability to provision and decommission environments based on need allows FTB to only pay for infrastructure that is actively being used by development and test teams. Finally, during EDR2 contract negotiations with the vendor, FTB agreed to establish and pay for an interagency agreement with the California Department of Technology (CDT) for Microsoft Azure IaaS services. FTB reached this agreement with the SP because the cost of cloud services through CDT are more cost effective than the costs that the SP was able to negotiate directly with cloud service providers. The agreement between FTB and the SP is included in the EDR2 contract.

FTB requests funding to continue the interagency agreement with CDT for Microsoft Azure IaaS services. With this interagency agreement with CDT, FTB can leverage pre-negotiated, lower rates for cloud services and fulfill its contractual obligation to the SP. If this request is not funded, FTB will not be able to meet its contractual obligation, fully capitalize on the "Cloud" ready technology implemented by the EDR2 Project and elevate development and test environment contention during peak phases.

### **CDT's Gov Cloud Connectivity - \$117,000**

With the EDR2 Project, FTB will leverage Microsoft Azure government cloud Infrastructure-as-a-Service (IaaS) to deploy new, key technologies and services into development and test environments. Before IaaS can be leveraged, FTB needs to implement connectivity and communication between FTB's on-premises network services and the cloud. FTB will procure connections to the California Department of Technology's (CDT) network (primary and secondary connectivity circuits for redundancy) which will then allow FTB to utilize a CDT service for Cloud Provider Interconnect to access the cloud. The connectivity between FTB and CDT is required for FTB to leverage Microsoft Azure IaaS services. Finally, FTB agreed to establish and pay for an interagency agreement with CDT for Microsoft Azure IaaS services during EDR2 contract negotiations. FTB reached this agreement with the SP because the cost of cloud services through CDT are more cost effective than the costs that the SP was

able to negotiate directly with cloud service providers. The agreement between FTB and the SP is included in the EDR2 contract.

FTB requests funding to continue the interagency agreement with CDT for cloud connectivity circuits. With this interagency agreement with CDT, FTB can leverage pre-negotiated, lower rates for cloud connectivity circuits and fulfill its contractual obligation to the SP. If this request is not funded, FTB will not be able to meet its contractual obligation and leverage IaaS.

### **Printing and Postage - \$47,000**

As a result of the EDR2 project, the number of notices sent to taxpayers will increase due to multiple new compliance initiatives, i.e., more Notice of Proposed Assessments issued and other compliance contacts. The EDR2 project introduces new compliance efforts that will allow FTB to identify more instances where tax returns were filed incorrectly and additional tax and/or penalties are due, tax returns were not filed and a filing requirement exists, and potential compliance issues exist, and the taxpayer is notified to self-correct the issue via a compliance campaign. FTB requests funding for printing and postage of the increase in notices.

### **IT Training – \$100,000**

In anticipation and for planning purposes, FTB requests an annual appropriation of a \$100,000 training budget to support the demanding and emerging technologies that come with a project of this magnitude. During the EDR2 project, staff workloads will be migrating from their current legacy platform to the enterprise platform which most likely will require additional training, so that staff can gain the necessary knowledge and skills to successfully complete their new enterprise platform workloads. This budget is to support those on-demand needs that are outside the scope of knowledge management that the contractor supplies. In addition, this budget is required to prepare state staff to assume maintenance and operations support responsibilities once the EDR2 solution is fully implemented.

## **C. Departmentwide and Statewide Considerations**

The EDR2 project represents phase 2 of an enterprise wide TSM effort to align FTB's IT infrastructure with its strategic business plan.

The EDR2 project is vital to FTB's operations. The technology currently supporting two out of three of FTB's major legacy systems {Accounts Receivable Collection System (ARCS), Integrated Nonfiler Compliance (INC), and Professional Audit Screening and Support System (PASS)}, which annually allow FTB to collect over \$4 billion in compliance revenue, are nearing end-of-life and will no longer be supported after December 31, 2025. Implementing the EDR2 project at this time is critical. Replacing these systems before they reach end-of-life will ensure FTB business operations generating significant compliance revenue for the state will not experience any critical failures. Additionally, the EDR2 project will improve efficiency and provide a better taxpayer experience while increasing revenue.

The EDR2 project supports FTB's mission to fairly and effectively administer the state's tax system and supports FTB's Strategic Plan Goals of Exceptional Service, Effective Compliance, Strong Organization, and Operational Excellence.



#### D. Outcomes and Accountability

The CDT's approved S1BA, S2AA, S3SD, and S4PRA supports this Budget Change Proposal (BCP) request and provides the details about the project scope, solution requirements, procurement and staffing strategy, solution development, evaluation methodology, and cost/payment model.

The EDR2 Business Director and EDR2 Technology Director will work with FTB's PPORM and Procurement units to oversee project activities and ensure all applicable policies, rules, guidelines, and procedures are followed, as well as perform communication management, including status reporting, consistent with stakeholder and overseer needs.

The fiscal oversight of the project is the responsibility of both the Chief Information Officer (CIO) and the Chief Financial Officer (CFO).

FTB has taken various steps and requested funding to ensure a successful EDR2 implementation.

- A CDT IPOC will continue to be engaged to ensure project management activities, including schedule management; earned value analysis; and risk management, are executed consistent with industry best practices and standards.
- An IV&V and QA consultant will continue to be engaged to oversee and perform QA of the EDR2 project contractor and state activities to ensure execution is consistent with requirements.
- The independent security assessment consultant will continue to ensure that the EDR2 project contractor is not introducing new risks via security vulnerabilities to the state.
- FTB's ability to maintain the data integrity of Federal Tax Information, State Tax Information, or Personally Identifiable Information in its critical information systems is ensured to reduce the risk of losing public trust.
- New audit models, strategies, and products are realized. Audit Division has the ability to successfully select best value cases and complete quality cases efficiently, increase automation and process efficiencies, and ultimately reduce audit timeframes.
- PASS case unit data analysis and cleanup tasks are completed to ensure the data is ready for the modeling and conversion processes. Business rules are put in place for automating the data conversion from the legacy system data to the Enterprise Data Store for use by the new case management system in the EDR2 project.
- Cases in the ARMD collection legacy system are analyzed and resolved by the PIT Data Conversion staff prior to the contractor's automated conversion to the new case management system. Data integrity in the legacy collection system has been ensured and account issues have been resolved for the maximized effectiveness of the automated data conversion to the new case management system.
- New data fields from paper returns and stand-alone tax forms are timely captured and utilized for processing, modeling, noticing, validating, and verifying to create additional notices and increase revenue.
- Training and OCM activities will be created and developed to support FTB enterprise and field offices who will utilize the systems impacted by the EDR2 project.

- Creation of new [ftb.ca.gov](http://ftb.ca.gov) webpages from EDR2 project 22 new initiatives are successfully completed and provide information, next actions, and instruction on how to use self-services to taxpayers, practitioners, and business partners.
- New software and hardware will be acquired for increased activities planned for the EDR2 project.

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

#### **E. Implementation Plan**

- June 2025 – All documents to establish positions are prepared and approved by the Budget Officer and forwarded to the Department of Finance.
- July 2025 – Department of Finance notifies FTB of position approvals.
- July 2025 – Permanent and limited-term positions are established and FTB begins hiring.

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

None

Pending Board Approval



Program Summary  
Program Funding

Program Funding	Current Year	Budget Year	BY+1	BY+2	BY+3	BY+4
<i>(i.e., Program Number and Name)</i>						
<b>Total All Programs</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

Pending Board Approval