

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

Fiscal Year 2025-26	Business Unit Number 7730	Department Franchise Tax Board
Hyperion Budget Request Name 7730-XXX-BCP-2025-GB		Relevant Program or Subprogram 9900100 Administration

Budget Request Title
 FI\$Cal 2.0

Budget Request Summary

The Franchise Tax Board (FTB) requests \$856,000, \$830,000 in General Fund and \$26,000 in special funds for 6 permanent positions and 1 classification upgrade in Fiscal Year (FY) 2025-26 and ongoing. These resources play a key strategic role in business operations and state cash management. These resources will conduct accounting, procurement, and budgeting and resource management functions as the department continues to work in the Financial Information System for California (FI\$Cal) to comply with statewide accounting, procurement, and budgeting policies.

Requires Legislation (submit required legislation with the BCP) <input type="checkbox"/> Trailer Bill Language <input checked="" type="checkbox"/> Budget Bill Language	<input type="checkbox"/> N/A	Code Section(s) to be Added/Amended/Repealed
--	------------------------------	---

Does this BCP contain information technology (IT) components? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No <i>If yes, departmental Chief Information Officer must sign.</i>	Department CIO	Date
--	-----------------------	-------------

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

Project No. _____ **Project Approval Document:** _____
Approval Date: Intentionally blank **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.

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

Department of Finance Use Only

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

Principal Program Budget Analyst	Date submitted to the Legislature
---	--

A. Problem Statement

In July 2018, the FTB implemented the Financial Information System for California (FI\$Cal), California's statewide accounting, budget, cash management and procurement system. FI\$Cal implemented revised processes, deployed new required rules, added review layers, and necessitated the collection and categorization of more data to provide additional transparency for statewide financial reporting. Due to the required FI\$Cal workload, changes in complexity, timing, and required reviews, FTB staffing was temporarily and permanently augmented in FY 2019-20.

With the resources received in FY 2019-20, FTB successfully tailored processes to integrate with FI\$Cal processes. As time passed, FTB discovered additional complexity to FTB's already complex processes. With the expiration of temporary resources received in FY 2019-20, FTB began experiencing backlogs and was constantly juggling priorities, resulting in all mandated workloads not being performed timely or thoroughly. To address the sustained increase in volume, complexity, and reviews brought by the implementation of FI\$Cal, FTB submitted a subsequent Budget Change Proposal for FTB's Accounting Section, Procurement Bureau, and Department Resource Oversight (DRO) unit.

In FY 2022-23, FTB was granted 6 three-year limited term resources to address the continued delays, bottlenecks, and backlogs within FI\$Cal processes. At the time these resources were requested, FTB noted, it was unknown, but likely, that permanent positions would be needed. These 6 resources greatly assisted with the FI\$Cal workloads and enabled FTB to carry out fiduciary responsibilities within mandated timeframes. The temporary resources are now expiring while the workload demands remain. As such, FTB requests to convert the 6 previously granted limited term resources into permanent resources. Additionally, FTB requests to upgrade 1 position to address a span of control issue resulting from added complexities within the workloads. FI\$Cal is fully implemented and FTB has worked diligently to address the deficiencies caused by the FI\$Cal implementation. FTB staff are now experienced and beyond the learning phase, thus these resource gaps cannot be overcome with additional experience or training. The remaining needs and demands are permanent and meeting them is unsustainable without additional resources.

The FTB requests \$856,000, \$830,000 in General Fund and \$26,000 in special funds for 6 permanent positions and 1 classification upgrade in FY 2025-26 and ongoing. These resources play a key strategic role in business operations and state cash management. These resources will conduct accounting, procurement, and budgeting and resource management functions as the department continues to work in FI\$Cal to comply with statewide accounting, procurement, and budgeting policies.

B. Justification

FTB's primary function is to administer the California Revenue and Taxation Code (R&TC), which includes helping taxpayers file timely and accurate tax returns and pay the correct amount to fund services important to Californians. FTB strives to serve the public by continually improving the quality of products and services and performing in a manner warranting the highest degree of public confidence with integrity, efficiency, and fairness.

In FY 2023-24, FTB received more than 23.8 million tax returns and processed more than 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 revenue¹. The General Fund provides funds to maintain and improve essential services for all Californians, including, but not limited to education, safety, welfare programs, and law enforcement.

FTB's Accounting Section, Procurement Bureau, and Department Resource Oversight unit have the most prominent roles in FI\$Cal and deliver key components of FTB's business operations including accounting, purchasing, budget development and management, financial statements, and departmental and state-level reporting.

Accounting Section:

Senior Accounting Officer – One permanent position

Accounting Officers – Two permanent positions

The Accounting Section is responsible for prompt accounts payable and receivables, accurate financial statements, reconciliation of deposits and disbursements, processing of travel claims, and budget reporting for FTB operations within and external to FTB. Within the Accounting Section, the Fiscal Services unit is primarily responsible for processing deposits, remittances to state funds, billing and accounts receivable collections including payroll, fund and bank reconciliations/returned and redeposited warrants, and financial statements and reports. These functions are complex in nature and must be performed in a timely and accurate manner to ensure the integrity of FTB's financial information used for budgeting, forecasting, and financial decisions.

In FY 2022-23, the Accounting Section received 3 three-year limited term positions to effectively process the required workload related to cash receipts and remitting, payroll accounts receivable, and fund and bank reconciliations. This ensured Accounting Section's ability to stay in compliance with accounting policies and regulations, maintain accounting records of the revenue, expenditures, cash, receipts, disbursements, and property for the department. While FTB requested permanent positions, only limited term positions were granted due to the hope that workloads may decrease as FI\$Cal continues to be enhanced and matured. To date, FTB has not experienced a decline in workloads associated with FI\$Cal.

As FTB has been working in the FI\$Cal system for the past five years, FI\$Cal continues to deploy new applications, functionality, and interfaces as well as upgrade functionality through system enhancements. While these enhancements are meant to bring efficiencies, it still requires staff time and training to learn new processes. In addition, new requirements under the Government Accounting Standards Board reporting are being introduced by the State Controller's Office (SCO). These reports require time and a coordinated effort among business areas and system reports to provide accurate information requested.

Without the continued level of resources, management and staff will have to be redirected to ensure that these time sensitive workloads are performed as necessary. This will result in potential backlogs of other accounting workloads and the inability to complete other managerial work such as team development, workforce planning, and workload analysis.

Failure to manage this workload will present risk for FTB and California in inaccurate financial statements, Generally Accepted Accounting Principles (GAAP) entries, and revenue reports for forecasting. Additionally, unremitted feeder fund revenue will be

¹ Revenue figures are based on the 2023-24 Cash Report reported in the [Department of Finance's July 2024 Finance Bulletin](#).

unavailable for use by the General Fund. If these resources are not granted on a permanent basis the following impacts would be realized:

- Inability to timely post accounting entries and maintain accounting records which will lead to delayed or inaccurate financial reports and/or estimated financial statements, uninformed decisions, cash flow concerns, inappropriate fund distributions, loss of public confidence, and audit findings.
- Inability to timely complete existing or future accounting assignments as determined by GAAP or FI\$Cal, which will result in being out of compliance with regulations and inaccurate reporting.
- Inability to timely perform mandated review and reconciliation of state funds monthly, which will lead to inaccurate, late, or estimated financial statements and other financial reports.
- Inability to timely and accurately remit and report revenue deposits, which will result in delayed revenue and inaccurate reporting.

Procurement Bureau:

Information Technology Supervisor II (IT Sup II) – One permanent position

Information Technology Specialist II (IT Spec II) – One permanent position

The Procurement Bureau ensures FTB receives the goods and services needed to perform its mission critical responsibilities. Staff conduct acquisitions, manage procurement projects, prepare purchase orders (POs), and negotiate contracts for FTB. Staff serve as the primary point of contact for the FTB vendor community and liaison with other departments related to departmental goods and services. The Procurement Bureau supports FTB day-to-day business operations to achieve its mission critical workloads. FTB's total reported spending has grown from \$81 million in FY 2018-19 to \$139 million in FY 2022-23. In FY 2022-23, Procurement staff executed approximately 900 transactions, totaling to \$124.7 million for Information Technology (IT) and \$14.3 million for non-IT good and services. Due to various factors, including FTB's adherence to the Public Contract Code and related regulations, success in compliance reviews and overall strength of our purchasing program, FTB has the highest level of purchasing delegation authority (Tier 4) from Department of General Services. There is only one department that has Tier 4 delegation authority. Having a high level of delegation allows FTB to be as efficient as possible in supporting our mission-critical operations and projects. Without adequate staffing FTB risks operational efficiencies in supporting the department, as well possible risks to the delegation if procurements are not conducted properly.

FI\$Cal replaced FTB's Purchasing Management System (PMS) and Contract Management System (CMS). PMS and CMS were FTB's homegrown systems used to create purchase orders (POs) and contracts. FI\$Cal requires more steps and system approvals to create, review and approve POs and procurement contracts, which has resulted in additional workloads and created a bottleneck at the supervisory and lead levels.

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

As the Procurement Bureau worked through the FI\$Cal implementation, they noted there is a permanent increase in duties and in workload complexity at the lead and

supervisory levels in the Technology Acquisitions unit. No satisfactory solution has been achieved regarding the review process needed by leads and supervisors. The reviews move between organizational units and must be at the appropriate classification level for the proper separation of duties. Generally, leads and supervisors are the only staff authorized by FI\$Cal to conduct level 3 and 4 reviews. This created a span of control issue and a bottleneck in the process because of the ratio of leads and supervisors to staff. To resolve the issue, in FY 2022-23 FTB requested two permanent supervisory/lead positions to equalize the review workload by adding another supervisor and another lead. While these positions were required on a permanent basis, FTB was only granted limited term positions. FTB is now requesting these positions to be permanent as the level of work is sustained. These positions will continue to relieve the bottleneck by promptly resolving all issues and processing all the reviews and approvals needed for successful procurements at the appropriate level.

The IT Sup II will continue to manage a team of procurement analysts in various procurement activities from beginning to end. This includes leading and working with teams on critical IT projects and procurements. The IT Sup II performs the additional workload that has resulted from the FI\$Cal implementation, including but not limited to activities such as approving POs and contracts in the system (multiple levels of approval required), training staff on use of FI\$Cal, and working with internal partners, including, but not limited to FTB's External and Internal Budget Offices, Accounting Section, and the Departmental Resource and Oversight Unit on critical policies and procedures that are related to FI\$Cal.

The IT Spec II will continue to provide support to staff in a lead capacity. This position provides level 3 and level 4 FI\$Cal review, performs the additional workload due to the increased volume, processes, and complexity created by FI\$Cal, assists staff with procurements, and conducts complex procurements. The IT Spec II also acts as a liaison with the FI\$Cal Service Center for resolution of items related to purchase orders and procurement contracts.

Without the requested positions, the Procurement Bureau will experience delays throughout the procurement process, from the initiation of a contract/purchase order action through the awarding and management of the contract. The lack of procurement support to FTB business processes can cause compliance issues, delays in the acquisition process, less reliable reporting in FI\$Cal, and a reduction to the competitive and cost-effective acquisition of goods and services. These issues can cause delays to critical procurements that are required to support projects and operations, especially FTB's critical information technology efforts. If these resources are not granted on a permanent basis the following impacts would be realized:

- Delays in conducting procurements which lead to issues including FTB staff not having the tools necessary to do their jobs.
- Compliance issues.
- Lack of adequate supervisory/lead resources to manage workload and staff.
- Increased volume in multi-year POs and contracts for goods and services.

Department Resource Oversight:

Staff Operations Specialist – One permanent position

Senior Operations Specialist – Upgrade to Administrator I

The Department Resource Oversight (DRO) unit is essential to FTB's business operations and did not receive resources in FY 2019-20 for the implementation of FI\$Cal. DRO staff

provide enterprise support for the coordination, development, and reporting of FTB's budget. Staff (allotment coordinators) monitor and report on the departmental Operating Expense & Equipment (OE&E) allotments and expenditures, provide projections, and review and approve departmental spending requests to ensure proper allocation of funds to FTB's budgeted programs.

The FISCAL system added complexity to the daily tasks and processes performed by the allotment coordinators by requiring additional verification steps and analysis, presenting a more complex coding structure requiring additional research in the systems, and additional review. As a result of the increased complexity, FTB was granted staff upgrades in FY 2022-23 to align staff duties to the proper level.

In addition to managing FTB's allotments, DRO staff also perform the daily budget functions for two of FTB's seven divisions and tasks include position control, legislative costings, expenditure forecasting, and reconciliation of personal services budgets used for reporting requirements such as the fund condition report and Schedule 3 processes. As a result of implementing FISCAL and its increase to the complexity and timeframe for completing budgetary functions, DRO staff could no longer absorb the additional work. In FY 2022-23, FTB requested one permanent Staff Operations Specialist position to address these increased duties, but the resource was granted on a limited term basis. Without continuing the current staffing level, DRO workloads will have the following operational impacts:

- Delays in processing funding requests to purchase goods and services.
- Delayed financial reports that can lead to uninformed decisions, inaccurate reports, and possible fund misstatements.
- Inability to support daily budget functions for internal business areas resulting in diminished ability to maximize FTB's budget authority to effectively manage our operations.
- Risk in tracking, forecasting and reporting accurate position control information affecting effective management of personal services budget resources.
- Delays in performing cost analysis for internal and external stakeholder requests.
- Risk of providing inaccurate financial reports and information.

As the complexity and responsibility of DRO staff has expanded significantly, FTB also seeks to address a span of control issue by requesting funding for a Senior Operations Specialist upgrade to Administrator I. The Administrator I will serve as a working manager over the Allotment Coordinators and duties include providing review and technical guidance on allotments, preparing the enterprise fund condition report, analyzing the departmental Operating Expenses & Equipment expenditures, managing the departmental spending plan, and supervising allotment coordinators by providing guidance on resolving complex budgetary problems.

The Administrator I will also be responsible for coordinating with internal business partners on departmental teams as a financial management expert, implement process improvements, and develop allotment coordinator staff. Upgrading to an Administrator I will create capacity for the Administrator II of the DRO unit to effectively manage the department's overall Personal Services and OE&E spending and provide leadership, oversight, and guidance over the daily functions of the managing FTB's budget. This ensures critical budgeting work is not delayed, incomplete, and improves quality of work, therefore mitigating any unwarranted impacts to stakeholders.

Without this upgrade, DRO workloads will have the following operational impacts:

- Inadequate oversight and guidance to staff on legislative proposal and divisional budget workloads.
- Risk of critical budgeting work being delayed, incomplete, and compromised quality of work.
- Delays in management review of key deliverables affecting stakeholders.
- Inability to adequately oversee program and ensure processes are robust, timely, and staff development needs are met.

C. Departmentwide and Statewide Considerations

FTB's mission is to help taxpayers file accurate tax returns timely and pay the correct amount to fund services important to Californians. The Department has a fiduciary responsibility to taxpayers by managing their accounts with accuracy and financial integrity. The Finance and Executive staff provide services to FTB employees, facilitate payments to contractors and vendors, and report financial information to internal and external stakeholders.

This BCP request aligns with FTB's Strategic Goal #4 Operational Excellence which states the FTB will, "Optimize our processes, products, services, and resources to better service our internal and external customers."

Specifically, this BCP will support the following strategies:

- **Strategy 4.1:** Manage budgeted resources at the enterprise level and use performance metrics to meet short and long-term business needs.
- **Strategy 4.3:** Leverage and modernize IT systems and processes to support and improve business and administrative activities.

FTB is committed to supporting its customers and strategic goals. Using FISCAL is mandated by the state and critical to the state's financial management process.

D. Outcomes and Accountability

Approval of this proposal will ensure staffing levels commensurate with the degree of care, oversight, timeliness, and attention to detail required by these complex workloads and requirements. It also ensures FTB complies with policies, procedures, laws, and regulations.

The management of resources and fiscal oversight received from this proposal will be the responsibility of the Chief Financial Officer.

E. Implementation Plan

- June 2025 – Documents to establish positions are prepared and approved by the FTB Budget Officer and submitted to the Department of Finance.
- July 2025 – Department of Finance notifies FTB of position approvals.
- July 2025 – Positions are established. FTB begins hiring and onboarding.

F. Supplemental Information

None.