**STATE OF CALIFORNIA**
# Budget Change Proposal - Cover Sheet
DF-46 (REV 03/25)

| Fiscal Year | Business Unit Number | Department |
|---|---|---|
| 2027-28 | 7730 | Franchise Tax Board |

| Hyperion Budget Request Name | Relevant Program or Subprogram |
|---|---|
| 7730-002-BCP-2027-GB | 6280 |

**Budget Request Title**
Contact Center Replacement (CCR)

**Budget Request Summary**
The Franchise Tax Board (FTB) requests $6.6 million in FY 2027-28, $7.3 million in FY 2028-29, $2.2 million in FY 2029-30 and ongoing to purchase a modern, secure, and scalable cloud-based Contact Center Platform (CCP) and Voice over Internet Protocol (VoIP) solution from a CALNET-authorized vendor. This investment will replace FTB's aging on-premises CCP and VoIP system which is reaching end of life to ensure uninterrupted delivery of taxpayer services and allow new opportunities for improvements to customer experience aligned with statewide directives.

| Requires Legislation (submit required legislation with the BCP) | Code Section(s) to be Added/Amended/Repealed |
|---|---|
| ☐ Trailer Bill Language<br>☐ Budget Bill Language ☒ N/A | |

| Does this BCP contain information technology (IT) components? ☒ Yes ☐ No | Department CIO | Date |
|---|---|---|
| *If yes, departmental Chief Information Officer must sign.* | | |

**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.**

**Approval Date:**

**Project Approval Document:**

**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

The Franchise Tax Board (FTB) requests $6.6 million in FY 2027-28, $7.3 million in FY 2028-29, $2.2 million in FY 2029-30 and ongoing to purchase a modern, secure, and scalable cloud-based Contact Center Platform (CCP) and Voice over Internet Protocol (VoIP) solution from a CALNET-authorized vendor. This investment will replace FTB's aging on-premises CCP and VoIP system which is reaching end of life to ensure uninterrupted delivery of taxpayer services and allow new opportunities for improvements to customer experience aligned with statewide directives.

Over the past decade, demand for customer service, including voice calls, Interactive Voice Response (IVR), live chats, and digital self-service channels, have grown significantly. These increasing volumes place greater demand on the existing on-premises systems, which lack the scalability and capabilities offered by modern cloud contact center technologies. Modernizing FTB's CCP will enhance self-service options, improve automation of routine interactions, support personalized engagement, and allow agents to focus on high-value, complex cases.

FTB is mandated under State Information Technology (IT) directives to transition to a CALNET-authorized CCP and VoIP solution to standardize services across State agencies. The CALNET program, managed by the California Department of Technology (CDT), provides approved cloud-based voice services that meet the State's security, interoperability, and procurement standards. The current on-premises CCP will reach end of life on December 31, 2028, and VoIP is expected to reach end of support on February 20, 2029. FTB operates an on-premises VoIP phone system that supports both internal and external calls. This system provides the dial tone support needed for FTB's high-volume CCP, which is essential for delivering taxpayer services. The CCP is a critical component of FTB's contact center operations, enabling self-service options and customer service channels that help taxpayers file accurate, timely returns and pay the correct amount of tax. Millions of taxpayers rely on these self-serve options supported through the Interactive Voice Response (IVR) System.

FTB's CCP requires extensive vendor support, and its capabilities have fallen behind the modern solutions. Today's modern CCP integrates Generative Artificial Intelligence (GenAI)/Machine Learning (ML) and cloud-based technologies that offer improved customer services and operational efficiencies and provide scalability for future growth.

Replacing and modernizing FTB's CCP will expand and personalize self-service options, automate routine inquiries, and allow agents to dedicate more time to high-value, complex cases. These enhancements directly support faster case resolution, improve overall customer experience and provide more timely revenue collection, helping the state meet its operational and financial responsibilities more effectively.

## B. Justification

The scale and efficiency of FTB operations are essential to the state's fiscal stability and the well-being of all Californians. FTB administers the income and franchise tax laws for the State of California, processing tax returns and payments, issuing refunds, conducting audits and filing enforcement actions, collecting outstanding debts, and providing numerous functions necessary to support these compliance activities. As a result of FTB's efforts, in FY 2025-26, FTB processed more than 23 million tax returns, over 15.4 million payments, responded to more than 3.1 million telephone calls, serviced over 63 million internet contacts, and collected about $201 billion in revenue, representing approximately 81 percent of California's General Fund revenue. The General Fund provides funds to maintain and improve necessary services for all Californians across the State, including, but not limited to education, safety and welfare programs, and law enforcement.

### Contact Center Platform (CCP)

FTB provides direct services and guidance to millions of taxpayers and tax professionals each year to support voluntary compliance. FTB's goal is to ensure individuals receive timely, accurate assistance to resolve their tax questions at the first point of contact. These services are foundational to maintain trust, ensuring efficient tax administration, and protecting revenue that supports critical state operations.

FTB provides customer service through four primary channels:

1. Telephone Service is provided through IVR and Live Agents to ensure that assistance is always within reach, whether for urgent needs or complex inquiries.
2. Live Chat via the Internet provides real time support and personalized service.
3. Written Correspondence offers flexibility and documentation for all interactions.
4. Self-service Internet Applications empower taxpayers to manage their obligations independently and securely.

Implemented in 2007, FTB's CCP is a collection of integrated software products and the primary mechanism for supporting voluntary tax compliance. Accessible self-service options and other customer service channels are not only helpful for taxpayers; they are critical to the success of California's voluntary compliance tax system. These resources empower taxpayers to meet their filing obligations, pay their liabilities in full, or establish alternative payment plans. While CCP has served reliably, it is now nearing end of life on December 31, 2028. Its reliance on numerous integrated systems across various platforms creates ongoing maintenance and support challenges.

CCP offers essential functionalities to manage contact center operations, allocate resources, and provide self-service options to taxpayers and their representatives.

Current functionality includes:

- Interactive Voice Response (IVR) – Provides refund status, payment options, and installment agreements. Offers self-service or routes callers to agents, handling approximately 7.6 million calls in FY 2025-26.
- Live Chat – Secure online chat available through FTB's website for account questions and general inquiries. Agents handled about 260,000 chats in FY 2025-26.
- Workforce Management (WFM) – Forecasts staffing and schedules resources to meet contact center business demands.
- Call & Screen Recording – Records and monitors agent interactions, masks sensitive data, supports compliance, and provides tools for quality evaluation and coaching.
- Softphone – Agent desktop interface integrating voice and chat channels with customer information for efficient interaction handling.
- Customer Callback – Offers callers to request a callback instead of waiting on hold while retaining their queue position and providing estimated wait times.
- Real-Time Reporting – Displays live contact center metrics to support immediate operational decisions.
- Historical Reporting – Produces detailed performance reports to identify trends and support planning.
- Proactive Contact – Sends SMS and email notifications for new MyFTB notices, Power of Attorney (POA) approvals, and legislative outreach campaigns (e.g., Earned Income Tax Credit, Young Child Tax Credit).
- Configuration Management (CME) – Manages agent access, permissions, and routing rules based on roles and business requirements.

Without CCP functionality, millions of inquiries regarding refunds, payments, account balances, and filing assistance would lack immediate resolution. Tax compliance activities including installment agreements, liability disputes, and levy-related actions would be impaired, reducing voluntary compliance overall. Without automated phone or chat support, inquiries would shift to correspondence, resulting in increased processing times and backlogs.

### Voiceover Internet Protocol (VoIP)

FTB operates an on-premises VoIP system that provides dial tone services for mission-critical CCP operations and supports more than 17 million calls annually. FTB's VoIP system architecture includes Cisco Cube routers and virtual server technology to manage VoIP traffic between an internal network and an external service provider. While this system has served reliably over the years, it is approaching end of support and presents compatibility issues to adequately continue being an integral component supporting CCP. The endpoint license agreement is set to expire on February 20, 2029, and infrastructure it relies on is aging, creating increasing maintenance challenges. Although maintenance may be purchased to extend support, it is typically at a higher cost, only deferring costs for another year. In addition, vendor support for core hardware and software components continues to diminish, further underscoring the need for system replacement.

As the system ages, maintenance challenges and operational risks continue to increase. Critical dependencies, including Cisco Cube routers, virtual server infrastructure, and legacy telephony components, require continual support, patching, and workarounds to preserve basic functionality. These vulnerabilities elevate the risk of service degradation, interruption of taxpayer assistance lines, and noncompliance with federal security standards. FTB's IRS Safeguard obligations impose stringent requirements on VoIP infrastructure, requirements that are increasingly difficult to meet with the current aging system.

Without investment in modernization, FTB faces significant operational and compliance risks, including the potential inability to support taxpayer call volumes, safeguard sensitive data, or maintain the essential telephony backbone required to operate the CCP. The aging VoIP environment directly threatens FTB's ability to deliver timely and accurate taxpayer assistance, support mandated customer service levels, and comply with IRS security directives.

## C. Departmentwide and Statewide Considerations

FTB demonstrates robust stewardship of California's income tax laws, anchored in its strategic plan and mission to ensure taxpayers file timely, accurate returns and remit the correct amount to support critical state services. The department's four strategic goals consistently guide organizational decision-making and resource allocation. This integrated approach enhances compliance, optimizes taxpayer experience, and supports the objectives for fiscal responsibility and efficient revenue administration. FTB's CCP further strengthens this framework by advancing self-service and customer service channels that meet the diverse needs of California's taxpayers (or supports equitable access for all taxpayers), directly advancing three of FTB's strategic goals. Replacing current CCP framework with cloud-based capabilities enhances equitable access by providing consistent, reliable service options for Californians with limited broadband access, disabilities, language barriers, or constraints that prevent contacting FTB during standard business hours. These enhancements support FTB's commitment to fair, transparent, and inclusive tax administration while enabling taxpayers to resolve issues more effectively and maintain voluntary compliance.

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

**Goal #2: Effective Compliance** states that FTB will "Fairly administer the law to ensure taxpayers file and pay the correct amount." FTB's CCP provides taxpayers with an avenue to resolve inquiries regarding their taxes. It also directs them to CalFile so they can file their taxes and WebPay so they can pay any overdue amount.

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

## D. Outcomes and Accountability

This proposal will allow FTB to provide expedient self-service options and customer service channels to help taxpayers file timely and accurate tax returns and pay the correct amount of tax. Additionally, this proposal will provide FTB with vendor technical support for CCP cloud applications allowing FTB to have the ability to report problems and request support, both during business hours and after business hours.

FTB's on-premises CCP will be replaced with a modern, cloud-based platform prior to its end of life to ensure business continuity. The new modernized solution will support the functions we rely on today while also addressing reporting needs and improve responses to customer inquiries and call requests.

Replacing FTB's CCP will:

- Increase the number of contacts resolved through self-service.
- Increase the number of calls and chats resolved through technology and live agents.
- Expand from bilingual to more customer language options.
- Replace monthly manual reporting processes with automated reporting processes.
- Use data analytics to generate near real-time reports and dashboards to provide customer feedback, agent feedback, and contact trends to enable rapid responses to evolving internal and external needs and operational demands.

This cloud-based solution will align with CDT mandates for use of CALNET vendors, ensure regulatory compliance, and avoid potential audit risks. In addition, cloud-based solutions offer higher availability, scalability, elasticity, and efficient disaster recovery capabilities while redundant infrastructure reduces downtime and improves service reliability.

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

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

## E. Implementation Plan

The plan is to implement a phased strategy that includes a ramp up period, aligned with peak filing season timeframes.

- July 2027: Receive fiscal year 2027-28 funding. Renew annual CCP & VoIP maintenance contracts to ensure continuity of existing services until the replacement systems are fully implemented.
- August 2027: Award contract to vendor for software and services.
- August 2027 through August 2028: Work with vendor to implement replacement CCP solution.
- September 2028: Move from FTB's Legacy CCP to the replacement CCP solution.
- December 2028: Move from legacy VoIP system to new VoIP system.

- January 2029: Decommission FTB's Legacy CCP software and VoIP system.
- June 2029: Implement optimizations in new CCP solution.

## F. Supplemental Information (If Applicable)

None