

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

Fiscal Year 2027-28	Business Unit Number 7730	Department Franchise Tax Board	
Hyperion Budget Request Name 7730-003-BCP-2027-GB		Relevant Program or Subprogram 6280	
Budget Request Title Local Area Network (LAN) Switch Supervisor Engine Refresh			
Budget Request Summary The Franchise Tax Board (FTB) is requesting \$5.6 million General Fund in Fiscal Year (FY) 2027-28 to replace aging network control modules, called Supervisor Engines, and their related software which are installed in access layer network equipment across central and district office buildings. These modules are responsible for managing the flow of data between staff devices and critical FTB systems.			
Requires Legislation (submit required legislation with the BCP) ☐ Trailer Bill Language ☐ Budget Bill Language ☒ N/A		Code Section(s) to be Added/Amended/Repealed	
Does this BCP contain information technology (IT) components? ☒ Yes ☒ 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. Approval Date: Project Approval Document: Total Project Cost:			
If proposal affects another department, does other department concur with proposal? ☐ Yes ☐ No <i>Attach comments of affected department, signed and dated by the department director or designee.</i>			
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) is requesting \$5.6 million General Fund in Fiscal Year (FY) 2027-28 to replace aging network control modules, called Supervisor Engines, and their related software. These modules are installed in access layer network equipment across central and district office buildings and function as traffic controllers, ensuring data flows smoothly between staff devices and critical systems.

Although vendor support is still received under the current contract, these Supervisor Engines reached the end of software maintenance on April 30, 2026. After that date, the manufacturer will no longer provide software updates to fix defects or performance issues. The associated risks begin immediately after the ending of the software maintenance. While basic security patches remain available until April 30, 2030, unresolved software issues could increase the likelihood of network failures and service disruptions without a guaranteed fix. There is no way to predict when a defect might surface or when changes in other parts of the network, such as upgrades to adjacent systems or infrastructure, might expose an issue that requires vendor support. Because the risk remains consistent from May 1, 2026, through July 2027, a brief deferral does not alter the overall risk profile. However, replacement remains essential, as extending the timeline into FY 2027–28 increases the duration during which the hardware operates without full support. Timely replacement is therefore critical to reducing prolonged exposure to these risks.

Given the critical role Supervisor Engine modules play in daily operations, replacing these modules in FY 2027-28 will help prevent outages, maintain system reliability, and ensure continued support for the network infrastructure while preserving the value from the original infrastructure investment.

The Supervisor Engine modules and associated network equipment included in this proposal are the central control components within the network switches installed during the Local Area Network (LAN) Infrastructure Refresh Project (LIRP), which was funded through the FY 2019–20 Budget Change Proposal.

LIRP was launched to replace aging and unsupported network infrastructure that posed risks to FTB's mission-critical operations. It focused on improving the reliability, security, and scalability of the department's internal network which supports approximately 6,000 staff and a wide range of essential internal and external business functions, including but not limited to tax processing, collections, audits, payroll, procurement, WebPay, MyFTB, and other online self-service tools.

This proposal builds on the foundation laid by LIRP by proactively addressing aging infrastructure and ensuring continued supportability of FTB's enterprise network. By FY 2027-28, the Supervisor Engines installed during LIRP will have provided seven years of service, aligning with the industry-standard for useful life of this type of enterprise-grade hardware.

B. Justification

FTB relies on a modern, reliable network infrastructure to support mission-critical operations, including tax processing, customer service, compliance, and internal business systems. Supervisor Engine modules are essential to maintaining the performance, stability, and security of the enterprise network. They manage the flow of data between systems and users, ensure high availability, and support the advanced features required by FTB's growing portfolio of applications and services.

As FTB continues to expand its digital offerings including MyFTB, WebPay, and other online self-service tools, network demand continues to rise. These services generate a high volume of internal transactions that depend on fast, reliable network response.

Replacing the Supervisor Engine modules in FY 2027-28 ensures FTB can meet its operational demands without interruption. This strategic replacement aligns with the original LIRP objective to replace aging infrastructure before it fails or becomes a liability. By proactively addressing the Supervisor Engine modules at the end of their software maintenance lifecycle, FTB reduces the risk of unplanned outages, maintains conformity with IT best practices, and safeguards the systems essential to supporting taxpayer services and internal operations.

The costs requested in this proposal include \$12,000 for travel required to support installation activities performed at field office locations.

If this request is denied, FTB will face increasing enterprise network and operational risks. A failure or malfunction in one of these Supervisor Engines could result in extended service outages, degraded performance, and increased support costs due to emergency workarounds or unplanned replacements. Without vendor-provided defect fixes and timely remediation, FTB would lose critical support of its network infrastructure, making it more difficult to maintain reliable and secure operations.

In addition to operational impacts and delayed revenue, there is also the potential for reputational harm. Disruptions to customer services such as MyFTB, WebPay, or online filing tools could erode public trust and confidence in FTB's ability to deliver timely and reliable services. Internally, staff productivity and system availability could be compromised, further affecting the department's ability to meet its mission.

Denying or delaying this refresh undermines the proactive infrastructure strategy established under the original LAN Infrastructure Refresh Project, and the risks of inaction are significant and unavoidable.

C. Departmentwide and Statewide Considerations

This request aligns with FTB's Strategic Goal #4 - Operational Excellence - Optimize our processes, products, services, and resources to best serve our internal and external customers and stakeholders

Strategy 4.3 - Modernize and streamline IT systems and processes; and leverage emerging technologies to support and improve business and administrative activities.

Strategy 4.5 - Standardize and modernize our IT service delivery to optimize operations.

It is vital to support and keep pace with FTB's growing technologies, programs, applications, and information systems. By replacing equipment at the appropriate time, FTB avoids equipment failures and any associated security vulnerabilities that could burden California with additional outlays. Maintaining modern, reliable network infrastructure also ensures equitable access to FTB's online services, supporting all Californians - including underserved and remote communities - by providing consistent, secure, and reliable access to the tools they need to meet their tax obligations.

While this refresh does not directly impact specific state-level programs, it is critical to the continued operation of all FTB program areas that rely on stable network connectivity. If these modules fail, staff could lose access to essential systems and services, disrupting their ability to contribute to state-level objectives.

Upgrading to vendor-supported hardware significantly reduces the likelihood of such failures. It also ensures that, in the event of a hardware issue, FTB has access to full vendor support and service options to quickly restore operations and minimize downtime.

D. Outcomes and Accountability

After completing the Supervisor Engine refresh, FTB will strengthen network security, improve performance, and restore full vendor support for defect fixes. This upgrade ensures all hardware and software remain under active maintenance, enabling timely resolution of defects and vulnerabilities. Success will be measured by full adherence to security configuration baselines, vulnerability scans with zero critical findings, and meeting performance benchmarks for network throughput and latency. These outcomes will eliminate unsupported components, reduce operational risk, and ensure a secure, high-performing infrastructure beyond FY 2027-28.

FTB's mission is to help taxpayers file accurate and timely tax returns and pay the proper amount owed. FTB's LAN infrastructure is the heart of the enterprise network, supporting FTB's mission and mission critical operations. The refresh will reduce the risk of component failure or compromise, and ensure the network has the bandwidth necessary to support successful operations.

The management of this project will be the responsibility of FTB's Chief Information Officer (CIO) or a delegate. Fiscal oversight of the resources will be the responsibility of both the CIO and the Chief Financial Officer.

E. Implementation Plan

- July 1, 2027: Award contract and finalize procurement for supervisor engines
- July 1 – September 30, 2027: Hardware lead time (90 days for delivery)
- October 1 – October 15, 2027: Pre-production preparation, including staging and configuration validation for dual supervisor engines
- October 16, 2027 – April 12, 2028: Central Campus Phase
 - Refresh existing chassis with new dual supervisor engines
 - Validate redundancy and failover functionality
 - Perform system health checks and software upgrades as needed
 - Scan and certify switches for compliance
- April 13, 2028 – June 28, 2028: District Offices Phase
 - Refresh existing chassis with new dual supervisor engines
 - Validate redundancy and failover functionality
 - Perform system health checks and software upgrades as needed
 - Scan and certify switches for compliance
- June 30, 2028: Project complete – all office switches refreshed and certified
- June 30, 2029: Post-Implementation Evaluation and Review (PIER)

F. Supplemental Information (If Applicable)

None.