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
7730-005-BCP-2027-GB	6280

Budget Request Title
Asset Forfeiture Account Spending Authority Increase

Budget Request Summary
The Franchise Tax Board (FTB) is requesting an increase of its spending authority for the Asset Forfeiture Account (7730-001-0847) from $740,000 to $2,500,000 per year for fiscal years (FY) 2027-28 through 2029-30. This increase is intended to support the purchase of permissible resources for FTB's Criminal Investigation Bureau (CIB) activities that support our strategic goals.

Requires Legislation (submit required legislation with the BCP)	Code Section(s) to be Added/Amended/Repealed
☐ Trailer Bill Language ☐ 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) is requesting an increase of its spending authority for the Asset Forfeiture Account (7730-001-0847) from $740,000 to $2,500,000 per year for fiscal years (FY) 2027-28 through 2029-30. This increase is intended to support the purchase of permissible resources for FTB's Criminal Investigation Bureau (CIB) activities that support our strategic goals, with the mission of serving the people of the State of California by investigating violations of the Revenue and Taxation Code in a manner that maintains public confidence and encourages compliance.

On October 30, 2024, FTB received notification from the United States Department of Justice (DOJ) and the Department of Treasury (DOT) regarding its continued eligibility for the Equitable Sharing Programs. The agencies informed FTB that, because FTB is not an independently funded law enforcement agency, it would no longer qualify for ongoing participation in these programs. As a result of this decision, no new federal funds will be deposited into FTB's Equitable Sharing account. However, FTB may expend all federal shared funds on hand, approximately $20 million, for permissible purposes until June 30, 2026. Based on this notification, FTB was approved to increase its spending authority from $740,000 to $2,500,000 for the FY 2025-26 to cover the cost of purchase of additional law enforcement resources prior to the expiration of the funds.

Subsequently, FTB contacted the US DOJ and DOT to discuss and request postponement of the previous deadline for expending available funds. In August 2025, US DOT approved FTB's one-time extension to use federal funds until June 30, 2030. As a result of the extension, FTB is requesting an increase in spending authority from $740,000 to $2,500,000 from FY 2027-28 through FY 2029-30, which will allow CIB the opportunity to pursue innovation that enhances the quality and efficiency of investigation activities. This action supports a program whose purpose is protecting the state's tax revenue through "effective compliance" and can be accomplished without imposing additional strain on limited general fund resources.

The DOJ and DOT Asset Forfeiture Programs are designed to deter criminal activity by removing the financial means and tools used to commit crimes, as well as recovering property that may compensate crime victims. Federally forfeited assets, if available, can be shared with local law enforcement agencies through equitable sharing, which aims to strengthen cooperation between federal, state, and local agencies by providing valuable resources. Funds received through equitable sharing must be used to supplement the resources of the recipient agency and cannot supplant or replace existing resources. Permitted uses of Asset Forfeiture funds include costs related to criminal investigation and law enforcement activities. These funds cannot be transferred to the General Fund.

FTB's CIB consists of sworn peace officers dedicated to investigating violations of the Revenue and Taxation Code. The CIB participates in multiple federal, state, and local task forces focused on investigating financial crimes. Through equitable sharing agreements with the U.S. DOJ, U.S. DOT, and California DOJ, FTB has received its share of assets seized in criminal cases where FTB contributed to the investigation.

B. Justification

Per the Equitable Sharing Agreements, permissible uses of Asset Forfeiture funds are for costs *associated* with criminal investigation law enforcement activities including:

- Law enforcement training: The training of investigators, prosecutors, and law enforcement support personnel in any area that is necessary to perform official law enforcement duties.
- Law enforcement equipment and operations: The purchase or lease of body armor, firearms, radios, cellular telephones, computer equipment, software to

be used in support of law enforcement purposes, vehicles (e.g., patrol vehicles, surveillance vehicles), electronic surveillance equipment, uniforms, travel, transportation, supplies, leasing or purchases of other types of equipment that support law enforcement activities. Forensic labs and equipment and related training and certification expenses are also permissible.

- Law enforcement facilities and equipment: The costs associated with basic and necessary facilities, their construction, updating, remodeling, furniture, safes, file cabinets, telecommunications equipment, etc., that are necessary to perform office law enforcement duties.
- Asset accounting and tracking: The costs associated with the accounting, auditing, and tracking of revenues and expenditure of equitable shared cash, proceeds, and tangible property.

Authorized expenditures follow procurement standards and rules established by the Department of General Services, the State Administrative Manual (SAM), and the Public Contract Code (PCC). With the increased spending authority for fiscal year 2025-26, FTB's CIB has utilized the asset forfeiture funds to:

- Acquire modernized computer hardware and software that improves the ability to extract and forensically image a wide array of electronic devices and review digital evidence for use in court.
- Purchase software that automates data entry of financial records used in criminal investigations.
- Install high density shelving and storage units for evidence rooms which allow for additional storage capacity without acquiring additional office space.
- Replace existing duty firearms to address ongoing safety concerns.
- Purchase peace officer lockers to improve equipment security.
- Upgrade simulators to allow for enhanced use of force and de-escalation training.

By expanding the spending authority to $2,500,000 for multiple fiscal years (FY 2027-28 through FY 2029-30), the increased flexibility will allow CIB to utilize available funds to enhance our operations to ensure compliance with the Revenue & Taxation code by investing in the following areas:

- Computer Forensics: Information is almost exclusively created and stored electronically. As technology continues to evolve at a rapid pace, computer forensic examiners must continuously update their training. Staying current with the latest advancements is essential to effectively adapt forensic techniques and tools to the increasing complexity of electronic devices, address advanced encryption and sophisticated security features, managing the sheer volume of digital information requires efficient approaches for sorting, searching, and validating evidence while ensuring compliance with legal and privacy regulations.
- Investigations: Enhance investigation capabilities by leveraging new technology to assist in forensic accounting, analyzing data or detecting fraud. Refresh aged equipment or obtain new tools that allow agents to safely conduct surveillance, execute search warrants or make arrests.
- Training: Increase training for peace officers/special agents, focused on use of force and deescalation along with specialized training in the areas of

financial fraud, money laundering, and white collar crime.

- Updates to Criminal Investigation facilities: Modernize interview rooms and recording system, replace aged furniture, improve security features, ensure compliance with safety regulations and expand computer forensic labs.

The included spending plan outlines operational enhancements discussed above and proposed purchases that CIB is planning to make with the increased spending authority from FY 2027-28 through FY 2029-30.

C. Departmentwide and Statewide Considerations

FTB's administration of California's income tax laws are facilitated by a committed focus to fulfilling FTB's Strategic Plan. Within the Strategic Plan, FTB's Mission is "to help taxpayers file timely and accurate tax returns and pay the correct amount to fund services important to Californians." To accomplish this mission, FTB established four Strategic Goals and Strategies, and has proven successful by considering them while maintaining its Foundational Principles and values. FTB's CIB is essential in gaining voluntary tax compliance through deterrence and this proposal aligns with two of FTB's Strategic Goals.

Goal #2: Effective Compliance: CIB helps FTB fairly administer the law to ensure taxpayers file and pay the correct amount by enforcing the criminal provisions of the Revenue and Taxation Code.

Goal #4: Operational Excellence: CIB contributes to FTB's ability to optimize processes, products, services, and resources to better serve our internal and external customers by aiding FTB's physical security to ensure the protection of our employees and mission critical operations.

The FTB and its Criminal Investigation Bureau play a critical role as members of both the Joint Enforcement Strike Force (JESF) and the Tax Recovery in the Underground Economy Criminal Enforcement Program (TRUE). These collaborative efforts involve working closely with other state agency partners to combat activities within the underground economy and address the persistent tax gap. By combining resources and sharing information, these agencies can enhance the effectiveness of enforcement operations. Expanding access to available Asset Forfeiture funds provides significant opportunities for CIB to further develop its personnel and technological capabilities. These funds enable increased officer proficiency through specialized training in areas such as computer forensics, financial crimes, money laundering, enhanced interview and interrogation techniques. Additionally, the funds facilitate the acquisition of upgraded forensic hardware, expanded digital tools, and improved processes for handling electronic evidence. These advancements contribute to better investigative outcomes and overall efficiency. The enhancements gained from expanded training and upgraded technology are not limited to individual agency operations. When pursuing joint investigations as part of JESF and TRUE teams, these improvements within FTB's CIB can be leveraged and shared across agencies.

D. Outcomes and Accountability

The increased spending authority will enable FTB's CIB to modernize investigative capabilities, strengthen officer readiness, and improve evidence-handling operations using the federal equitable sharing funds. These funds will ensure CIB continues to effectively investigate tax-related crime and support FTB's Strategic Goals of Effective Compliance and Operational Excellence.

Expected outcomes include:

- Greater investigative throughput due to upgraded forensic hardware, expanded digital tools, and enhanced ability to process electronic evidence.
- Improved data reliability and accuracy through updated investigative software, automated financial data entry tools, and enhanced forensic accounting resources.
- Increased officer proficiency as a result of expanded training in financial crimes, money laundering, use of force, and de-escalation.
- Enhanced workplace and evidence-storage safety through facility updates, secure storage installations, and modernization of interview room technology.

Reporting requirements have been established to ensure effective management and protect the Asset Forfeiture funds against potential waste, fraud, and abuse. CIB's Asset Forfeiture Coordinator and FTB's Internal Audit section ensure compliance with all reporting and audit requirements.

E. Implementation Plan

FTB will implement a structured, multi-year procurement and deployment plan to ensure all expenditures comply with federal permissible-use rules and are completed by June 30, 2030. Purchases may be staggered between CIB's West Covina and Sacramento field offices to allow time for implementation and extended life span of assets.

FY 2027–28:

- Conduct needs assessment for technology upgrades, forensic tools, and facility improvements.
- Begin procurement for high-priority forensic tools, software licenses, and officer safety equipment.
- Initiate facility design and planning for evidence-room shelving and interview room modernization.
- Identify available training and procure classes as operations allow.

FY 2028–29:

- Continue phased acquisition and implementation of forensic hardware, software, and investigative tools.
- Implement facility upgrades including secure shelving, slow burn boxes, and expanded forensic lab space.
- Deliver comprehensive training programs for investigators and sworn staff.
- Conduct mid-cycle assessment to monitor spending progress and compliance.

FY 2029–30:

- Complete remaining facility improvements, technology installations, and training programs.
- Finalize procurement activities and reconcile federal expenditures.
- Conduct final compliance audits and document operational improvements.

F. Supplemental Information (If Applicable)

None.