STATE OF CALIFORNIA

Capital Outlay Budget Change Proposal (COBCP) - Cover Sheet

DF-151 (REV 07/21)

Fiscal Year	**Business Unit**	**Department**	**Priority No.**
2027-28	7730	Franchise Tax Board	001

Budget Request Name	**Capital Outlay Program ID**	**Capital Outlay Project ID**
	6315	

Project Title

Franchise Tax Board Campus Security Upgrades

Project Status and Type

Status: ☒ New ☐ Continuing Type: ☒Major ☐ Minor

Project Category *(Select one)*

☒CRI *(Critical Infrastructure)*	☐WSD *(Workload Space Deficiencies)*	☐ECP *(Enrollment Caseload Population)*	☐SM *(Seismic)*
☐FLS *(Fire Life Safety)*	☐FM *(Facility Modernization)*	☐PAR *(Public Access Recreation)*	☐RC *(Resource Conservation)*

Total Request (in thousands)	**Phase(s) to be Funded**	**Total Project Cost (in thousands)**
$ 2,105,000	Preliminary Plans	$ 41,354,000

Budget Request Summary

The Franchise Tax Board (FTB) requests $2,105,000 General Fund in 2027-28 for Preliminary Plans phase of the FTB Central Office Campus Security Upgrades project.

Total project costs are estimated at $41,354,000; including Preliminary Plans ($2,105,000), Working Drawings ($2,440,000), and Construction ($36,809,000).

The project encompasses enhancements to the perimeter fencing, gates, and kiosks at FTB Central Office Campus.

Requires Legislation	**Code Section(s) to be Added/Amended/Repealed**	**CCCI**
☐ Yes ☒ No		

Requires Provisional Language	**Budget Package Status**
☐ Yes ☒ No	☐ Needed ☐ Not Needed ☒ Existing

Impact on Support Budget

One-Time Costs	☐ Yes	☒ No	Swing Space Needed	☐ Yes	☒ No
Future Savings	☐ Yes	☒ No	Generate Surplus Property	☐ Yes	☒ No
Future Costs	☒ Yes	☐ No			

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

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

A. COBCP Abstract:

The Franchise Tax Board (FTB) requests $2,105,000 General Fund in 2027-28 for Preliminary Plans phase of the FTB Central Office Campus Security Upgrades project.

Total project costs are estimated at $41,354,000; including Preliminary Plans ($2,105,000), Working Drawings ($2,440,000), and Construction ($36,809,000).

The project includes upgrades to the perimeter fencing, gates, and kiosks at FTB's Central Office Campus.

The current project schedule estimates Preliminary Plans will begin July 2027 and will be completed June 2028. The Working Drawings are estimated to begin July 2028 and will be approved November 2029. Construction is scheduled to begin December 2029 and will be completed November 2030

B. Purpose of the Project: (Background, problem, program need, infrastructure deficiency. If reappropriation request, include explanation/justification for request)

Problem:

In 2016, California Governor's Office of Emergency Services (CalOES) Critical Infrastructure Protection Team completed a comprehensive physical security assessment of FTB's Central Office and identified multiple high-risk vulnerabilities that have direct impacts to the safety of FTB's employees and its' facilities. The CalOES physical security assessment identified specific areas of improvement needed for the FTB Central Office Campus. The findings identified specific security vulnerabilities that, if left unaddressed, could expose FTB to potential breaches, jeopardizing mission-critical operations and impacting revenue directed to the state's General Fund as well as sensitive taxpayer data. These vulnerabilities may compromise taxpayer privacy, including IRS-related information stored on campus in hard copy files and servers. FTB must ensure the campus is secure to reduce risks to its operations, revenue collection, and the state's General Fund. The focus of the assessment included:

- Criticality
- Threats and Hazards
- Physical Security
- Physical Infrastructure
- Continuity of Operations

In addition, a 2023 assessment was conducted by Aanko Technologies, Inc (Aanko) that identified vulnerabilities and developed mitigations to strengthen FTB's physical security. This project will address some of the critical findings and will strengthen FTB's ability to combat threats affecting FTB and the safety of its employees by implementing enhancements to our security based on the physical security assessment provided by CalOES and Aanko. FTB operations are vital to all Californians. Any incapacitation or destruction of FTB state assets (including those that house sensitive taxpayer information) could have an increased risk on the state's economic security, public health or safety, or any combination of these conditions. FTB is the main contributor to the General Fund, generating the largest share of the State's revenue.

In FY 2025-26, FTB processed more than 23 million tax returns and over 15.4 million payments. As a result, FTB collected over $201.4 billion in revenue, representing approximately 81% of California's General Fund revenue. The FTB Central Office Campus is considered critical infrastructure to the state, consisting of seven buildings which include office space, warehouse space, a central heating and cooling plant, and two data centers, located on an 87+/- acre site of state-owned property. The FTB facility is also the resumption site for numerous other agencies, including the Employment Development Department (EDD), the State Controller's Office (SCO), and the California Department of Technology (CDT). The physical security assessments identified specific areas of improvement needed for FTB to maintain a viable worksite security program. If left unaddressed, these vulnerabilities could place FTB at risk of a security breach that could result in disruption to FTB mission critical operations and revenue to the State's General Fund.

Program Needs:

FTB's Central Office campus needs critical upgrades to its perimeter fencing, gates, and kiosks.

The FTB Central Office lacks a secure perimeter. Several areas of the existing fencing are 5-6 feet in height and is comprised of an exposed chain link fence. Additionally, the absence of modernized gate systems, and kiosks limits the ability to monitor and regulate vehicle and pedestrian flow effectively.

Any type of disruption of FTB business would be damaging to FTB and inhibit its ability to perform its core functions for the State of California, including protecting taxpayer data. To ensure a safe and secure workplace for FTB employees and its facility, FTB's Worksite Security Staff (WSS) must have the resources to detect, identify, and respond to potential threats immediately and have the resources to accurately assess potential threats so that countermeasures can be put in place. If not detected and responded to, these physical threats could have a significant impact on FTB's business operations.

The current perimeter fencing will be replaced with a fence constructed of heavy-duty steel and will include vehicle barrier gates and security guard kiosks equipped with a badging system. The installation of durable, high quality perimeter fencing will establish a clear and secure boundary, acting as the first line of defense against unauthorized access. The project also incorporates replacing the current kiosks and adding additional kiosks strategically around campus. The security kiosks provide site access, verify credentials, and respond to incidents in real time.

Adoption of the recommendations included in this request will strengthen FTB's ability to combat physical security threats affecting the State, the FTB and its employees as well as taxpayers.

C. Relationship to the Strategic Plan: (relevance of problem/need to mission and goals)

This proposal supports FTB's Strategic Plan foundational principle to protect taxpayer information and Strategic Goal #3 Strong Organization. Providing FTB with the ability to protect FTB employees and its infrastructure is representative of the commitment that the State of California places on protecting taxpayer information as well as protecting FTB's ability to achieve its primary mission through providing appropriate protection for FTB employees and infrastructure.

Mandates	Objective
• SAM 5365	• Ensure the protection of employees, assets and data through oversight, response and enforcement. • Ensure the necessary resources are available to protect FTB physical assets and employees through active oversight, management and administration of the Security Guard contract. • Ensure appropriate and up to date policies, procedures and practices are in place to protect FTB's employees, assets and data.
• IRS Pub 1075	• Prevent unauthorized building access through administration and maintenance of the physical access and alarm monitoring system for FTB Central Office and FTB offices throughout the nation.
• FTB Policies/ General	• React immediately to threats, physical attacks and/or vandalism on FTB's campus.

Procedures Manual Building Security, Badging, Parking Administration	• Responsible for appropriate and timely incident response, enforcement and follow-up activities.

D. **Alternatives:** (for each, describe the proposed alternative and provide a brief summary of scope

Alternative 1 – Approve full funding request for implementing security controls identified in the Cal OES physical security assessment.

a. Scope – This alternative will allow FTB to further enhance its security controls of FTB facility from potential intrusions and mitigate risk of an attack.
b. Cost – $41 Million
c. Funding Source – General Fund
d. Program Benefits – Addresses and mitigates security assessment findings of the CalOES Critical Infrastructure Protection Team. Significantly mitigates all but the most sophisticated attacks, ensuring the continuity of FTB operations and State government. Greatly reduces the risk from internal and external attacks.
e. Facility management benefits – This alternative will meet the security enhancement requirements identified in the CalOES assessment of FTB's facility. All new construction will meet current building codes and energy standards.
f. Impact on support budget – None.

Alternative 2 – Do not approve the Request

If this request is not approved, FTB may be unable to effectively respond to potential threats against its facility or employees. Under these circumstances, FTB, its employees and operations, could experience significant consequences in the event of an incident.

E. **Recommended Solution:**

1. Which alternative and why?

   Alternative 1- Approve full funding request for implementing security controls identified in the Cal OES assessment. This Alternative reduces the most risk against the FTB facility (including sensitive taxpayer data, and its employees and allows FTB to enhance its security controls as outlined in the CalOES Physical Security Assessment.

2. Detailed scope description.

   Scope - The operation of the FTB is essential to the State of California, as any interruption—even for a brief period—would have significant financial consequences for the state. Accordingly, the Campus Security Project aims to maintain the continuous operation of FTB's core business functions, which encompasses the main processing facility and the protection of its employees. Alternative 1 enables FTB to effectively mitigate the highest operational risks and address concerns related to employee life and safety, as outlined in the CalOES Physical Security Assessment of FTB's Central Office Campus.

3. Basis for cost information.

   Basis for Cost Information - The estimated cost is based on the budget package prepared by the Department of General Services (DGS).

4. Factors/benefits for recommended solutions other than the least expensive alternative.

Benefits of this alternative are as follows:

- Increases FTB's ability to detect and respond to attacks against its infrastructure and employees.
- Establishes a defined, controlled perimeter that prevents unauthorized access.
- Increases campus interior, perimeter, docks and infrastructure (plant/power/water/heating/cooling) physical security.
- Increase safety of staff.
- Provides for Continuity of Operations for FTB and State of California.

5. Complete description of impact on support budget.

   None

6. Identify and explain any project risks.

   Any construction project carries risk of increased cost and scope due to discovery of unknown site conditions throughout the design and construction process that could potentially alter the estimated costs.

7. List requested interdepartmental coordination and/or special project approval (including mandatory reviews and approvals, e.g. technology proposals).

   - State Fire Marshal for Fire, life safety.
   - DGS for budget, plan creation and project management functions.
   - Government Operations Agency for approvals.
   - State Architect for ADA and code compliance.
   - State Public Works Board for oversight and approvals.

F. Consistency with Government Code Section 65041.1:

Does the recommended solution (project) promote infill development by rehabilitating existing infrastructure and how? Explain.

Yes, the recommended alternative will be completed at an existing FTB facility and an existing developed site.

Does the project improve the protection of environmental and agricultural resources by protecting and preserving the state's most valuable natural resources? Explain.

CEQA review will ensure the recommended solution protects the state's natural resources.

Does the project encourage efficient development patterns by ensuring that infrastructure associated with development, other than infill, support efficient use of land and is appropriately planned for growth? Explain.

Yes, DGS in collaboration with FTB will ensure efficient land use and appropriate project development.