

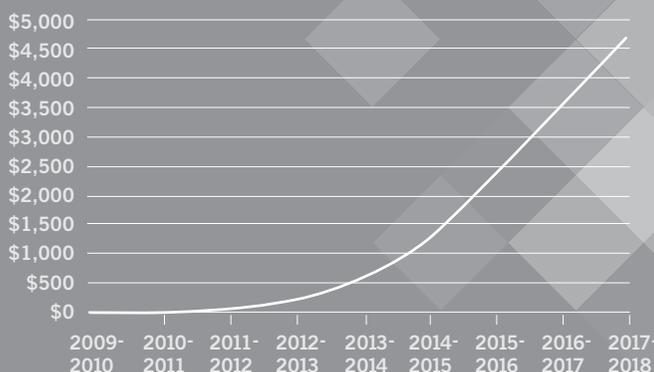


## Enterprise Data to Revenue Project

Franchise Tax Board

# EDR will generate about **\$4.7 billion** in additional revenue over the project duration.

Total EDR Project Revenue, in Millions, by Fiscal Year »



### Great for the State and Excellent for Our Stakeholders

The **Enterprise Data to Revenue Project (EDR)** is the first of several Franchise Tax Board (FTB) information technology (IT) projects described in our Strategic Plan that addresses modernizing our tax systems technology environment.

The EDR Project lays the foundation for modernizing our tax systems over the long term. The EDR Project does not include replacing our existing legacy systems.

The EDR Project allows us to use technology to leverage the data that we have to more effectively administer our tax systems. This means more efficient operations throughout FTB, better customer service, a higher level of transparency than we can provide currently, and more revenue: about a billion dollars more annually by the end of the project.

In short, the EDR Project gives us the opportunity to provide better service, reduce taxpayer burden, and make significant progress toward reducing the Tax Gap.

#### The EDR Project Includes Four Major Components:

1

**A New Return Processing System.** The new system automates manual processes, enhances our capacity to capture and validate data, standardizes our processes, and combines personal income tax and business entity tax processing into one system.

2

**An Enterprise Data Warehouse.** The data warehouse makes all data accessible to our legacy systems and to FTB users.

3

**A Secure Online Taxpayer Folder.** The folder provides FTB staff and our stakeholders secure access to information such as tax returns, payments, notices, etc.

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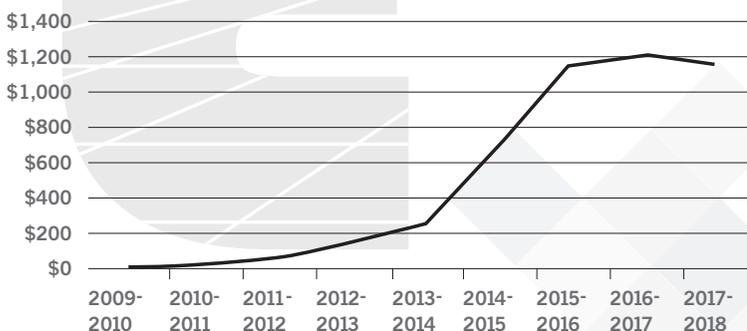
**Modernized Systems.** Legacy systems are updated so they will work with the new processing system, the data warehouse, and the Taxpayer Folder.

### More Revenue Today and Into the Future

The state can count on EDR Project revenue benefits starting in fiscal year 2011/2012. EDR Project revenue will continue to increase during the project. Revenue benefits will level out at \$1 billion annually starting in 2016, and continue each year thereafter.

EDR Project revenue estimates are based on current tax law and do not factor in any new taxes or penalties. The primary source of funding for the EDR Project is drawn from more efficient collections and increased tax compliance.

EDR Project Annual Revenue, in Millions, by Fiscal Year »



# EDR brings long lasting benefits of \$1 billion annually.

### Minimal Financial Risk to the State Due to Comprehensive Benefits Based Payment Model

The EDR Project has a fixed cost. But, we determine when and if the vendor gets paid using a benefits based payment model. This means that payments to the contractor are based on the revenue benefits that the state receives. If the state does not receive revenue benefits, the contractor does not receive payments. This approach shifts much of the financial risk to the contractor.

It is important to note that the contractor's payments cannot exceed the maximum amount fixed price set by our contract. Therefore, if revenue exceeds projections, the contractor does not receive more money. Any additional revenue we may receive will belong to the state.

We have handled multiple projects that used the benefits based payment model similar to the EDR Project approach. These projects include several large collections and audit projects. The benefits for all of these projects were significantly higher than originally projected.

### Cost Benefit Ratio is \$7:\$1

The total cost for the EDR Project contractor is \$399 million. The cost for FTB is \$271 million. The new revenue over the project reporting period is \$4.7 billion. The EDR Project pays for itself through the additional revenue it generates. The contractor is paid based on the revenue generated by the project thus significantly reducing the financial risk for the state.

### FTB's Strong Foundation and IT Project Experience Ensure Success

FTB has successfully managed many large IT projects. In fact, we successfully managed the largest IT project ever taken on by the state at that time: the California Child Support Automation System (CCSAS) project. Additionally, FTB met the challenge to manage the project after two previous attempts had failed. The cost for CCSAS was more than \$1 billion and involved two major acquisitions concurrently. The project duration was over eight years.

At FTB, with our many years of IT project experience, we have developed excellent project staff and leadership and a careful, rigorous project management methodology. Additionally, we have a long and successful history with our project partner, CGI Technology Solutions, Inc. Building on our strong foundation, we will successfully complete the EDR Project, bringing great new services and much needed revenue to California.

➤ [ftb.ca.gov](http://ftb.ca.gov)

Want to know more about the EDR Project?

Contact us at [EDRChangeMgmt@ftb.ca.gov](mailto:EDRChangeMgmt@ftb.ca.gov).

