STATE OF CALIFORNIA

Finance Letter - Cover Sheet

DF-46 (REV 08/15)

Fiscal Year	Business Unit	Department	Priority No.
2016-17	7730	Franchise Tax Board	1

Budget Request Name	Program	Subprogram
7730-005-BCP-BR-2016-A1	6280	6280010/6280019

Budget Request Description

FTB Customer Service Resources

Budget Request Summary

The Franchise Tax Board (FTB) requests $15 million general fund and 180 positions for 2016-17, and $15 million and 193 positions for 2017-18 and ongoing, to enable the department to effectively transact business with taxpayers, interacting in ways that are more convenient for them, and providing information allowing taxpayers to meet their tax filing and payment obligations. FTB strongly believes the existing service channels it provides are below desired standards. This leaves California taxpayers struggling to find answers to tax questions needed in order to comply with filing requirements as well as pay outstanding tax liabilities. This proposal seeks resources to enhance service levels on multiple channels including self-service options on the web and personal service channels including phone, electronic mail, live chat, and correspondence. Unacceptable levels of service leave many taxpayers unable to timely self-serve to resolve their issue or to reach a staff member at FTB for assistance to resolve their issue. In many situations, the result is the taxpayer may not file or pay timely or accurately, and thus these taxpayers enter into our compliance activities that are more expensive to address for the State.

Requires Legislation	Code Section(s) to be Added/Amended/Repealed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

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

For IT requests, specify the date a Special Project Report (SPR) or Feasibility Study Report (FSR) was approved by the Department of Technology, or previously by the Department of Finance.

☐ FSR ☐ SPR Project No. Date:

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 ☐ CALSTARS ☐ Dept. of Technology

BCP Type: ☐ Policy ☐ Workload Budget per Government Code 13308.05

PPBA	Date submitted to the Legislature

Pending Board Approval

A. Proposal Summary

The Franchise Tax Board (FTB) requests $15 million general fund and 180 positions for 2016-17, and $15 million and 193 positions for 2017-18 and ongoing, to enable the department to effectively transact business with taxpayers, interacting in ways that are more convenient for them, and providing information allowing taxpayers to meet their tax filing and payment obligations. FTB strongly believes the existing service channels it provides are below desired standards. This leaves California taxpayers struggling to find answers to tax questions needed in order to comply with filing requirements as well as pay outstanding tax liabilities. This proposal seeks resources to enhance service levels on multiple channels including self-service options on the web and personal service channels including phone, electronic mail, live chat, and correspondence. Unacceptable levels of service leave many taxpayers unable to timely self-serve to resolve their issue or to reach a staff member at FTB for assistance to resolve their issue. In many situations, the result is the taxpayer may not file or pay timely or accurately, and thus these taxpayers enter into our compliance activities that are more expensive to address for the State.

B. Background/History

FTB provides taxpayer assistance by providing direct service and guidance to millions of Californians annually to enable them to voluntarily meet their obligation to file and pay the correct amount of tax. Providing quality taxpayer assistance in a timely manner helps guarantee those taxpayers:

- Will voluntarily file their tax returns now and in the future.
- Can pay their bills timely without additional cost or interaction with the FTB.
- Can pay delinquent amounts and address other collection actions by setting up installment agreements and managing their account effectively.
- Can get immediate answers to their tax questions at the first point of contact.

FTB's goal is to provide customer service at the first point of contact therefore ensuring taxpayers receive the help they need to resolve their tax questions timely as well as minimizing departmental costs. If taxpayers cannot reach FTB for assistance, they make multiple contacts through different customer service channels and accounts move to the more costly involuntary non-compliant collection cycle. FTB provides customer service through four existing primary channels:

1. 24/7 web based and electronic self-service applications and programs.
2. A taxpayer service contact center available 7:00 AM to 5:00 PM, Monday through Friday.
3. Interactive live chat via the Internet.
4. Personalized written correspondence, including Power of Attorney forms and correspondence on account issues, via the Internet or the U.S. Postal Service or email.

FTB is responsible for income tax administration for the State of California and on an annual basis ensures the proper and timely collection and credit to the State's fiscal accounts of over $76 billion. Additionally, FTB's compliance activities annually collect over $7 billion in additional revenue. Customer service is critical to ensuring that taxpayers get answers to their questions and ensure they can timely and accurately file and pay. FTB strongly believes that over the last decade the service levels and response times in its customer service channels are unacceptable.

- FTB is unable to answer almost one million calls offered annually (between 50 and 60% of calls offered).
- In the last several years, FTB has seen the response time to address taxpayers written questions increase to between six to eight months.
- FTB needs resources to support compliance with state and federal regulations regarding accessibility standards on FTB's applications and web pages to allow any and every taxpayer the ability to use our website.

FTB believes this is an unacceptable level of service for California taxpayers trying to do the right thing and file, pay, and otherwise meet their tax obligations. FTB's inability to provide customer service leaves citizens of California struggling to find answers to tax information in order to comply with filing requirements as well as pay outstanding tax liabilities and jeopardizes the timely collection of revenue for the state.

In the previous decade, FTB has been actively pursuing enhancements to its customer service channels to address taxpayer's needs as well as enhance levels of service without additional resources. FTB has successfully deployed numerous web applications and tools to manage personal customer service channels that have been of great service to California taxpayers. These tools have been well received and are heavily utilized by taxpayers to gain information. Since 2011, the visits to FTB's website have increased by almost 78%. However, FTB has not been able to enhance service levels of staff for those taxpayers that still need assistance after utilizing our self-service options. FTB has found that taxpayers still desire a high level of personal service for the following reasons:

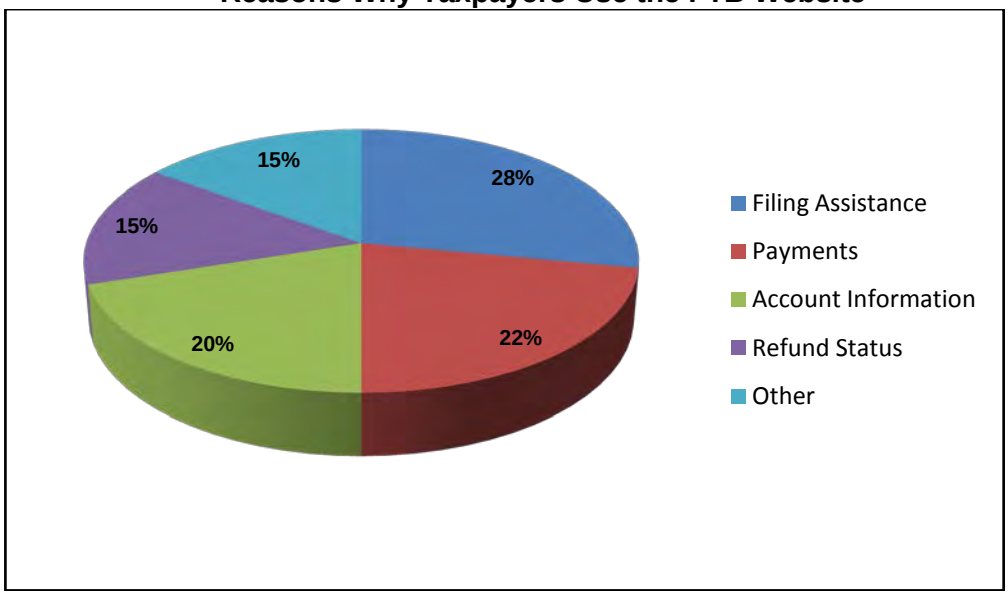
1. The taxpayer's tax issue is complex and they just need to receive assistance from an agent so they know they are doing it correctly and the matter is resolved.
2. Taxpayers are not always willing to self manage their complex financial issues without talking with an agent to ensure they are doing it correctly and future penalties and interest as applicable are minimized.
3. In a recent 2015 study by the Pew Research Group, almost 16% of adults do not use the internet. (Pew Research Center, the Demographics of Social Media Users, August 2015.)

The most recent National Taxpayer Advocate Report to Congress also found many of these same factors were present for taxpayers seeking assistance from the IRS.

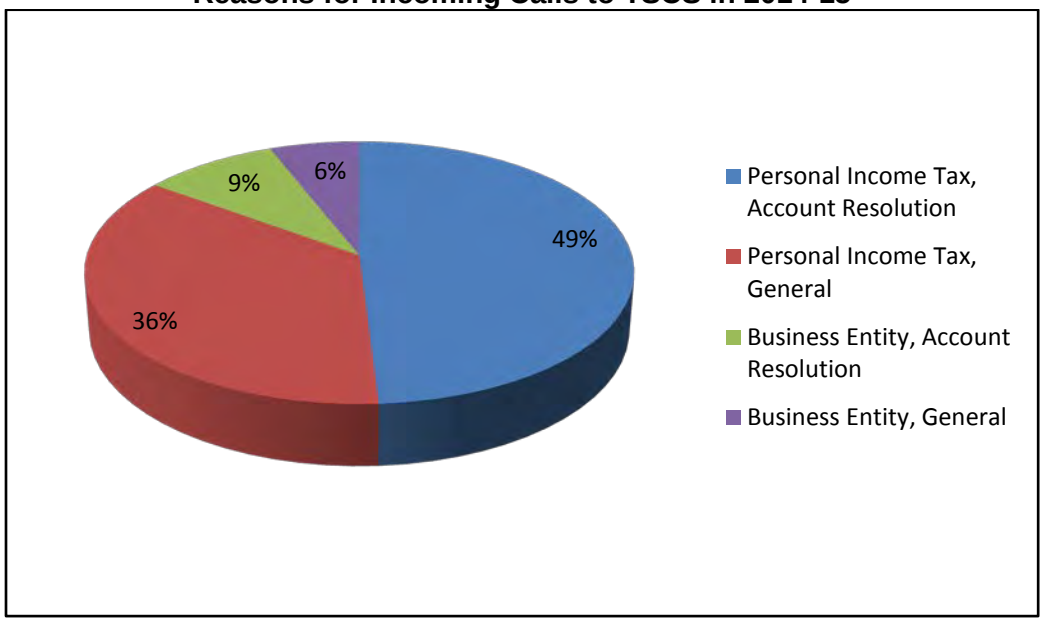
A view of the top reasons why customers use FTB's customer service channels is included below. A majority of contacts received and addressed relate to activities where the taxpayer is trying to pay or file a tax return. If FTB is unable to serve these taxpayers, then revenue collected is impacted.

Top Reasons Why Customers use FTB's Customer Service Channels

Reasons Why Taxpayers Use the FTB Website



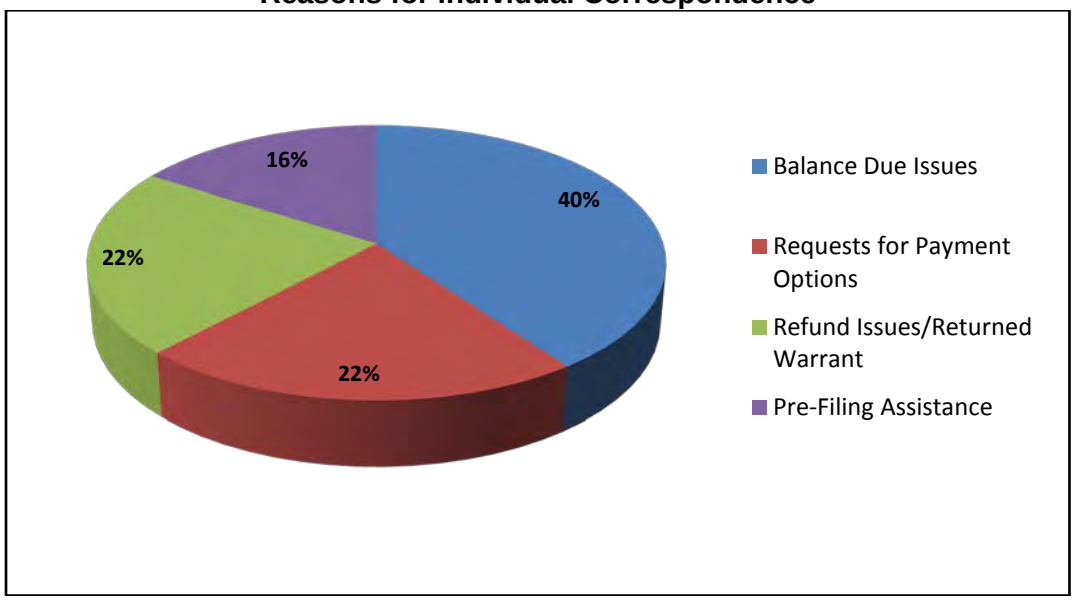
Reasons for Incoming Calls to TSCS in 2014-15



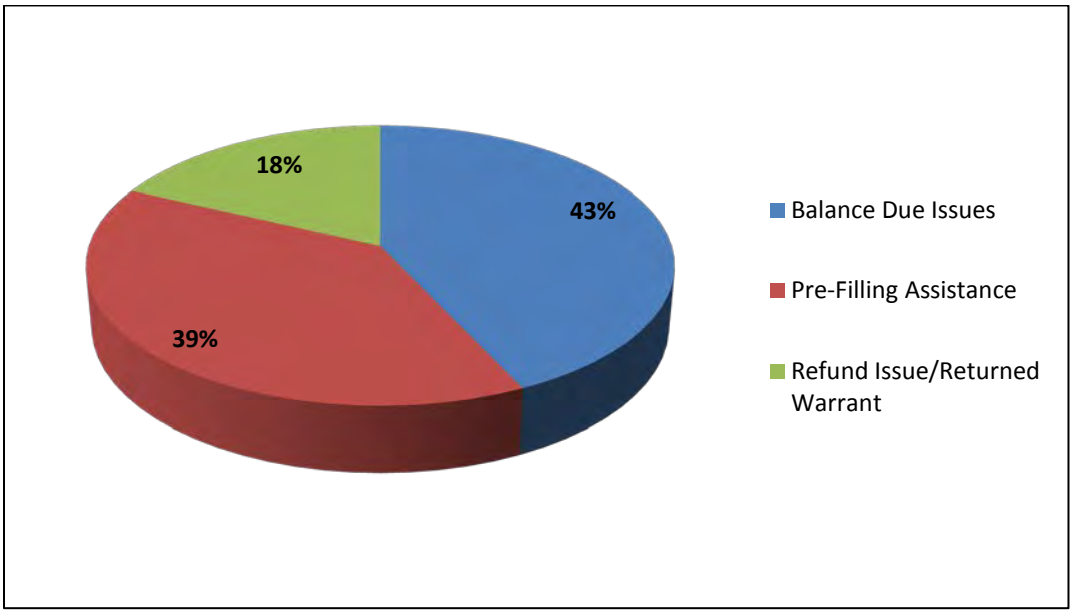
Account resolutions: *Assisting taxpayers who call in response to notices received about tax balances due, over payments, garnishments or return status.*
General: *Assisting taxpayers with questions as to where to download forms, tax law or webpage information so they can file correctly.*

Top Reasons Why Taxpayers Write to FTB

Reasons for Individual Correspondence

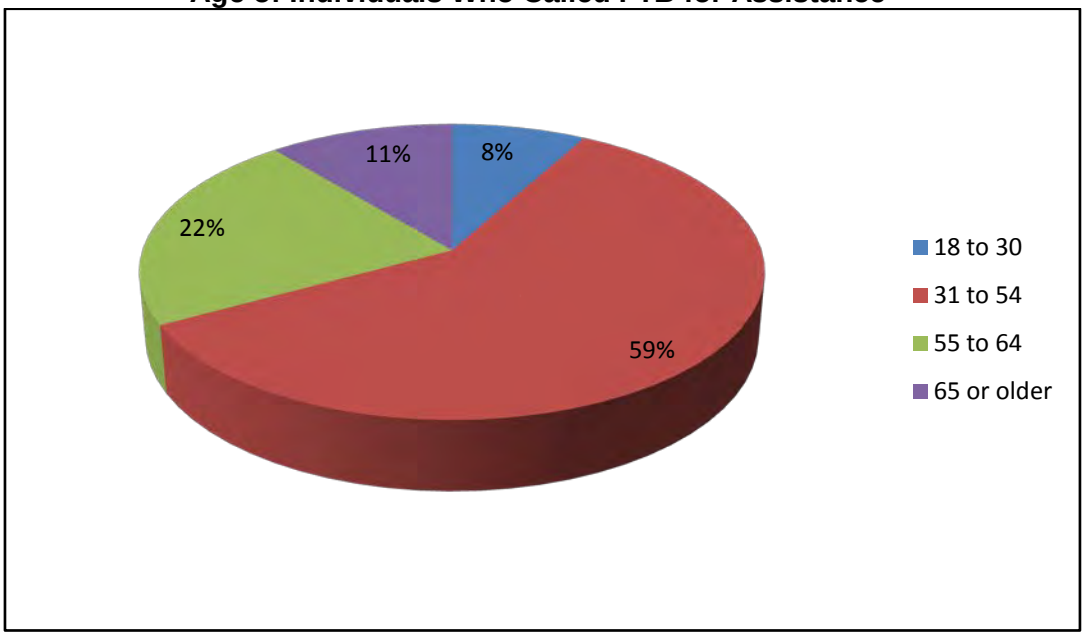


Reasons for Business Entity Correspondence

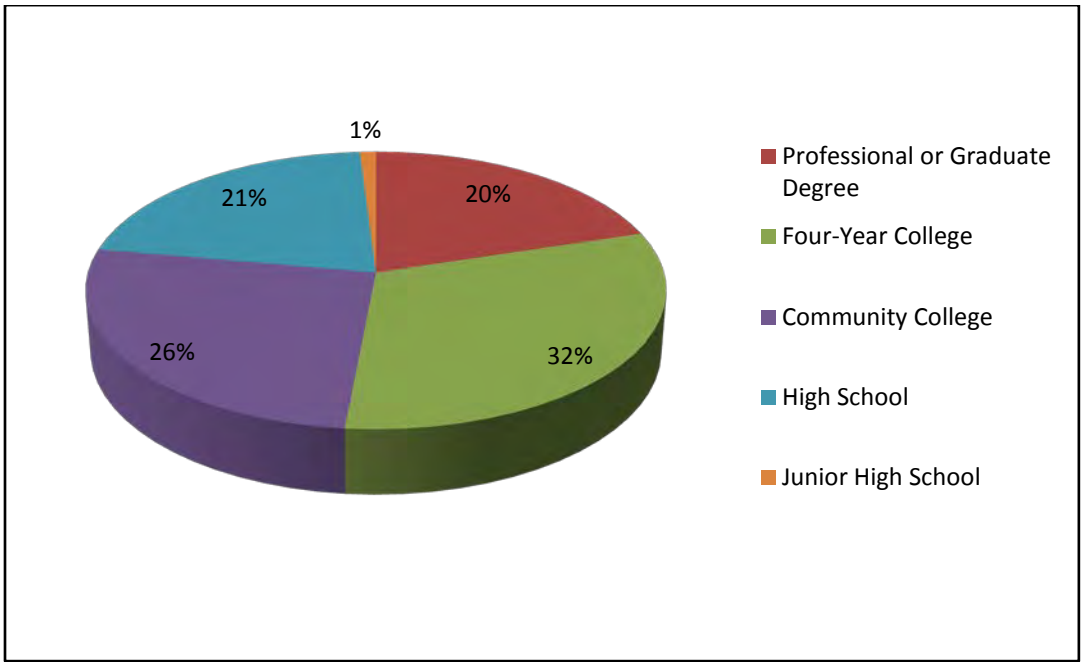


A question that FTB frequently receives is who uses the customer service channels. While FTB does not track this information on an ongoing basis, FTB has over the years informally conducted customer satisfaction surveys to understand how to improve processes. Additionally, during 2015 FTB worked with California State University, Sacramento, to conduct a satisfaction survey regarding the Taxpayer Services call center as well as other callers calling an FTB agent to address a specific tax issue. The statistically significant sample provided the following demographic information:

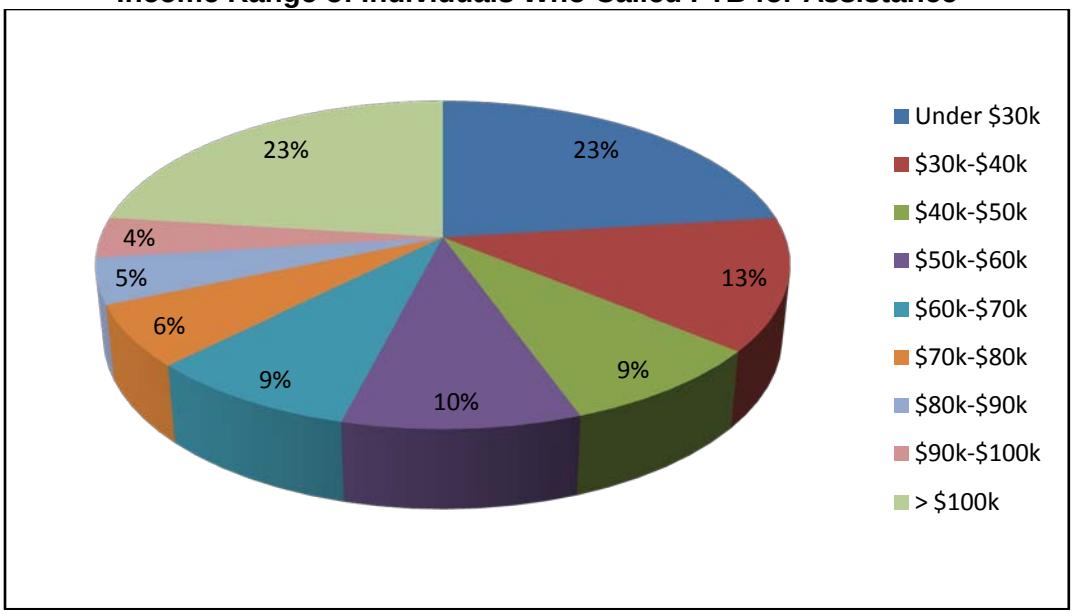
Age of Individuals Who Called FTB for Assistance



Education of Individuals Who Called FTB for Assistance



Income Range of Individuals Who Called FTB for Assistance



California's tax system is based on voluntary compliance. The vast majority of taxpayers want to self comply. However, in certain situations, taxpayers need assistance to comply. FTB provides self-service options and customer service channels to ensure these taxpayers receive the assistance they need and therefore stay on the voluntary compliance path. Providing customer service makes it easier for taxpayers to file and pay timely. The cost to support compliant taxpayers is very low; about a quarter of FTB's budget supports the voluntary compliance path. In contrast, the non-compliant path revenue is hard won and much more costly to collect. FTB spends 75% of its budget working with non-compliant taxpayers to collect the taxes owed. The revenue from these non-compliant taxpayers is significantly delayed in flowing to the general fund. Self-service and customer service channels providing taxpayer assistance are more than just "nice to have" services, they are foundational to the success of California's voluntary compliance tax system.

During 2014-15, FTB's relevant customer service channels and staff supported the following:

- 14.8 million visits to FTB's website.
- 1.5 million taxpayers were assisted by FTB's Interactive Voice Response System (automated telephone).
- 941,000 of 1.8 million calls to FTB's Taxpayer Assistance Line were answered.
- 165,000 calls answered on Tax Practitioner Hotline (average 75% calls received were answered.)
- 110,000 live chats were handled.
- 163,000 pieces of correspondence were completed with a backlog of 63,000 as of July 2015 with 65% of these backlogged correspondence items being greater than 30 days old.

The majority of these contacts relate to the following:

- 13 million notices and letters mailed to taxpayers.
- 1 million *Return Information Notice* correcting amounts reported on a return and/or reducing the taxpayer's refund amount. (Notices include TSCS phone number.)
- 1.5 million *Statement of Tax Due* correcting amounts reported on a return and requesting payment of additional tax. (Notices include TSCS phone number.)
- 1 million *Request/Demand for Tax Return* from potential non-filers based on information available to FTB and subsequently issues over 650,000 notices of proposed assessments to these non-filers. (Notices include TSCS phone number.)
- 18 million Personal Income Tax returns and 1.7 million Business Entity returns processed.

Taxpayers who get answers to their questions are able to fulfill their filing obligations and pay their liability in full or negotiate arrangements to begin paying. As previously discussed, FTB strongly believes the service levels and response times in FTB's customer service channels are unacceptable.

In recognition of reduced staffing levels, over the last decade, FTB has implemented many new tools or processes to allow for increased and enhanced customer service levels. These tools have been very effective in providing taxpayers options to obtain assistance and have substantially reduced many of the contacts FTB previously received for general questions such as "can you provide me this form?" or "where's my refund?". However, in many situations taxpayers wish to speak with, receive a written answer from, or need further assistance from FTB as the question is complex, deals with sensitive information, or the taxpayer wishes to validate technical information found online. As a result, while these new tools and processes have provided FTB and the State tremendous opportunity and value, many taxpayers ultimately still wish to speak with or receive a written response from FTB.

Enhancements to FTB's Website – Implemented:

- Web applications like MyFTB for individuals to view estimate payments and other taxpayer specific information.
- New FAQs web pages with common information needed, e.g., Claim for Refunds.
- BE MyFTB Online View Estimate Payments.
- Enhanced web applications, such as CalFile, installment agreements and Where's My Refund?

Enhancements to Staff Assisted Customer Service Channels – Implemented:

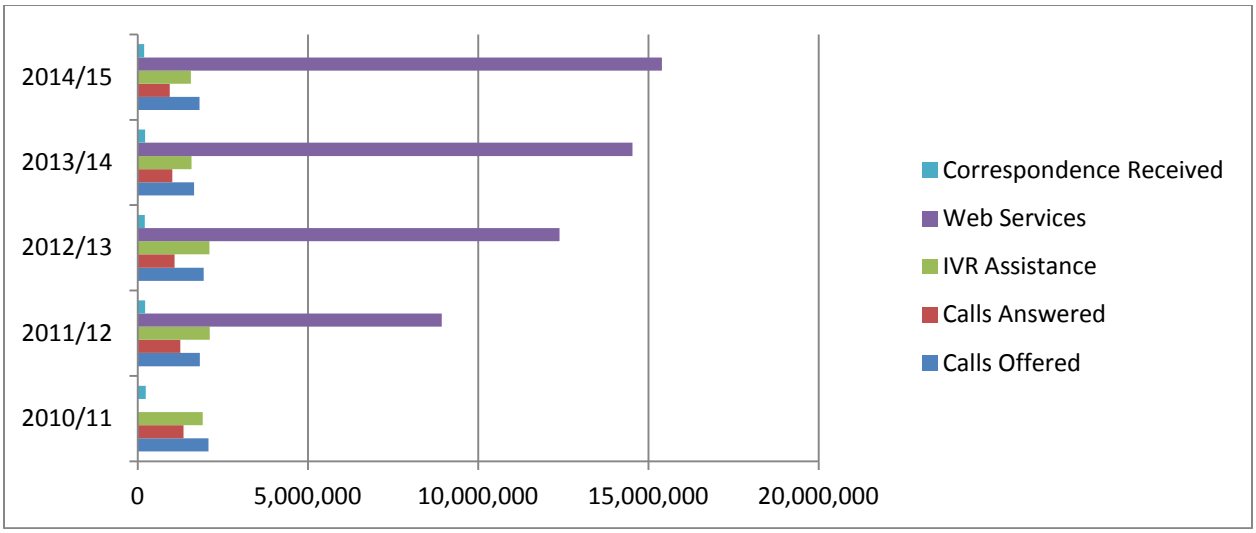
- Virtual Hold technology that allows FTB to call taxpayers back instead of having them wait on hold (May 2010).
- Implemented new software changing parameters for when calls are deflected (taxpayer gets a busy signal) allowing for some easing of deflections (February 2016).
- Live Chat for general information questions (March 2011).
- Authenticated Live Chat (January 2016).
- Scanning of all correspondence to allow for electronic routing (June 2015-June 2016).
- "Get Most Urgent" for correspondence processing – a mechanism staff uses to get the most urgent assignment from workbaskets and/or worklists that they access (June 2015).

- All outstanding correspondence pieces are now resolved at one time.
- Various process-reengineering recommendations to be more agile.

General Process Changes – Implemented:

- Enhancements to FTB notices and bills making them easier to understand and respond to (January-June 2016).
- A tool to throttle enterprise bills and notices to equally distribute or manage taxpayer contacts.
- Cross training of staff to work on multiple channels.
- Redirection of staff temporarily from other workloads to increase level of access or temporarily reduce backlog levels (resulting in backlogs being created elsewhere).
- Use of overtime (resulting in increased costs).

Below is a graph showing how the primary service channels have reacted with the significant enhancements FTB has made the last five years.



FTB is requesting additional staffing levels to increase the level of access and service on customer service channels to better serve the taxpayers of California and ensure the protection of the voluntary compliance nature of California's tax system. This will enable the department to effectively transact business with taxpayers, interacting in ways that are more convenient for them, and providing information allowing taxpayers to meet their tax filing and payment obligations. FTB strongly believes the existing service levels and response times in FTB's customer service channels are unacceptable and this leaves taxpayers of California struggling to find answers to tax questions needed in order to comply with filing requirements as well as pay outstanding tax liabilities.

FTB's goal is to provide customer service at the first point of contact therefore ensuring taxpayers receive the help they need to resolve their tax questions timely as well as minimizing departmental costs. If taxpayers cannot reach FTB for assistance, multiple contacts are made through different customer service channels and accounts move to the more costly involuntary non-compliant collection cycle. FTB provides customer service through four existing primary channels.

1. Web Based and Electronic Self Service Applications

FTB considers its website as the most cost effective and primary channel for taxpayers and their representatives to obtain information when they need it. FTB is seeking resources to address two issues related to our website:

- Accessibility for disabled individuals.

- Usability of our website (a taxpayer's ability to be successful with what they intend to accomplish).

Accessibility
Accessible Technology refers to ensuring disabled employees and members of the public access to information that is comparable to access available to others. In 1998, Congress amended the Rehabilitation Act of 1973 to require federal agencies to make their electronic and information technology accessible to people with disabilities. State agencies are responsible for complying with federal and state laws forbidding discrimination against persons with disabilities, including accessibility of their electronic and information technology. Under existing federal and state laws and policies, state agencies, are responsible for ensuring that their public Web sites are accessible to the general public and that their internal electronic and information technology systems are accessible by state employees, including persons with disabilities.

The population of disabled in California in 2008 was 10.1%. Disabilitystatistics.org shows that the number of disabled ages 21-64 is 8.5%, ages 65-74 is 25.9% and ages 75+ is 52.7%.

Usability
Usability refers to how easy it is for the taxpayer to navigate FTB webpages or applications to obtain the information or service they are seeking. Industry standards support a webpage or application being successful if users are able to complete their desired transaction 80% of the time. FTB believes the web applications are the quickest and cheapest way to provide service to a large amount of taxpayers 24/7 from any location. A recent review of our usability standards (conversion rate) shows that taxpayers successfully use our applications between 30 and 75% of the time.

In 2014, the FTB received 14.8 million visits to its website. FTB encourages taxpayers to use web based services and applications because:

- They are cost effective.
- They can provide comprehensive "One and Done Service".
- They are available 24/7 and can meet the taxpayer's needs on-demand.
- They give taxpayers the ability to manage their experience on-line and update and own their taxpayer information and data.

Why do taxpayers go to the FTB website?

- Over 3.1 million visits to pages specifically dealing with how to pay taxes owing.
- 1.9 million taxpayers checked their refund status. 900,000 taxpayers used their mobile device to check their refund.
- 1.5 million visits to forms and publications pages.
- Over 300,000 visits to Installment Agreements pages.
- Nearly 600,000 visits to CalFile page.

2. Telephone Assistance through FTB's Contact Center

The FTB's Taxpayer Service Center Section (TSCS) contact center is the department's long-standing primary public service telephone contact center. Customer service agents are responsible for the following tasks:

- Facilitating the payment of balances due, analyzing and correcting individual account errors and providing information regarding taxpayer liabilities, filing enforcement assessments and collection notices.
- Resolving post-filing return correction and balance due issues prior to formal involuntary collection action.
- Facilitating the filing of timely, complete, and accurate tax returns.

- Promoting voluntary compliance through taxpayer education and pre-filing assistance by providing general tax information, processing form requests, explaining filing requirements, tax law, policy and procedures.
- Handling 1.2 million incoming calls annually in English and Spanish from taxpayers and tax practitioners.
- Assisting taxpayers who are having trouble registering or logging onto MyFTB – a primary web based self-service channel.

FTB utilizes the latest contact center technology to route incoming calls through an Interactive Voice Response software program that attempts to resolve common taxpayer questions without the need for a line agent's interaction and/or redirects callers to the FTB website for common questions and expedited service. Annually, the Interactive Voice Response software handles approximately one million calls. The system offers some taxpayers choosing to speak with a line agent the option of waiting on hold or receiving a call back from a FTB line agent through the Virtual Hold program. Over the past five years, TSCS has received an average of 1.8 million telephone calls each year to its taxpayer assistance lines. In 2014-15, the TSCS contact center was only able to answer 941,000 of the 1.8 million calls who desired to speak to a line agent. .

3. Live Chat

Live Chat is FTB's newest channel of providing taxpayer assistance via an interactive internet based connection accessed through the FTB's home page. It serves as a means to taxpayers who would otherwise have called the contact center or corresponded with FTB to a more convenient service channel. Initiated in 2010-11 to handle general questions, Live Chat offers a number of advantages as a service delivery channel:

- Live Chat agents handle an average of six general information chats per hour as compared to the average four calls per hour for contact center line agents and 2.4 pieces of correspondence per hour for correspondence staff.
- Live Chat offers a seamless interaction with FTB's web page. Whenever possible, taxpayers are referred to web pages with comprehensive information about their topic. This encourages taxpayers to self manage follow-up questions.
- In 2014-15, FTB engaged in over 110,000 live chats, with an access rate of 98%.

Spring boarding on the success of Live Chat, FTB introduced Authenticated Live Chat in January 2016 as a companion to the vastly expanded MyFTB Account. With the new version of MyFTB, taxpayers have direct access to substantially more personal data. FTB is encouraging self-service; however, many taxpayers will continue to have questions or wish to interact with FTB. Taxpayers who might otherwise have called or corresponded with us on specific account problems will now have the opportunity to securely chat with FTB through Authenticated Live Chat.

4. General Correspondence Management

FTB staff manages three distinct workloads under the General Correspondence Management category. FTB is requesting additional resources for each workload.

- Written Correspondence received via the U.S. Postal Service.
- Electronic Correspondence received via MyFTB Message (January 2016).
- Power of Attorney (processing of forms).

With the existing level of resources, FTB has historically been able to process written correspondence within a six to eight month period. FTB's goal for responding is 30 calendar days. Below are the top reasons taxpayers send FTB written or electronic correspondence:

- Personal Income taxpayers typically correspond regarding:
  - Balance due issues – includes penalties, payments, and withholding issues.

  - Requests for payment options – includes questions on how to pay in full, set up and/or request an installment arrangement, and how much time they have to pay.
  - Refund issues – includes questions about where their refund is and why they have not received it yet.

- Business Entity taxpayers also traditionally correspond on tax gap type subjects:
  - Balance due issues – entity wants to provide proof of payment, discuss a balance due or claim for refund (response to a collection notice, or send a claim for refund letter), send proof that they cancelled or dissolved (as a response to a final return notice), or respond to an annual notice that notifies entities of any delinquent balances due, they could state they don't owe it, or have since closed and there aren't any assets, or they could request additional information after an assessment is final.
  - Pre-filing assistance - estimate payment verification, forms and tax law questions. An entity may want to resolve a request for return, including sending a copy of the return, or proving they do not have a requirement to file.
  - Refund issue/Returned warrant – includes refund inquiries and returned warrant issues.

This business area is also responsible for processing Power of Attorney forms. A Power of Attorney form is negotiated between a taxpayer and a tax professional and notifies FTB of specific tax matters and years that FTB can discuss with the tax professional on behalf of the taxpayer. Currently, for paper Power of Attorney forms, existing staff will support processing these forms in excess of six months. For taxpayers who submit a Power of Attorney form through the MyFTB wizard or have an exception to using the wizard, FTB is making every attempt to process those forms in 30 to 45 days.

See Attachment 1 for Resource History and Attachment 2 for Program Workload Measures.

C. State Level Considerations

Customer service is a high priority at FTB and is one of its core values. Taxpayer Centric Service is one of FTB's strategic goals and critical to its success. Providing timely and accurate taxpayer assistance is crucial to maintaining the health of the voluntary compliance system. Each interaction between taxpayers and the FTB, whether it is through web and electronic self-service applications, forms and instructions, or verbal and written correspondence, represents an opportunity to influence current and future taxpayer behavior. FTB's strategic goal of Operational Excellence leads to building an operational infrastructure that continuously provides excellent and cost effective products and services to its customer including addressing taxpayer questions at the earliest point and at the lowest level.

D. Justification

In the private sector, customer service is a top priority because unhappy customers tend to purchase less - resulting in significant revenue loss. In government, bad customer service results in frustration when trying to obtain information – for FTB this also results in a revenue delay or loss. When taxpayers are frustrated, they sometimes give up on accomplishing important tasks, like filing their taxes or paying their bills, simply because it is too difficult to obtain the necessary information. The government then wastes resources by having to single out these individuals. Having efficient and capable customer service channels will help prevent these problems by providing citizens with information they need, when they need it. FTB experiences increased productivity and enhanced compliance when processes are simple and help is readily available.

As discussed earlier, over the last decade, FTB has made significant improvements in our various customer service channels to enhance a taxpayer's experience and provide them the information they seek. However, FTB continues to experience undesirable levels of customer service and additional resources are requested.

Website Technology
Accessibility (8 permanent positions)
Usability (11 permanent positions – 6 in 2016-17 and an additional 5 permanent positions in 2017-18)

Accessibility

Accessible technology is a mandate not an option. Section 508 of the Rehabilitation Act of 1973 was enacted to eliminate barriers in information technology, open new opportunities for people with disabilities, and encourage development of technologies that will help achieve these goals. Section 508 specifically states agencies must give disabled employees and members of the public access to information that is comparable to access available to others. Under California Government Code Section 11135 (enacted 2003), State websites must meet web accessibility standards in developing, procuring, maintaining, or using electronic or information technology. FTB strongly supports compliance with state and federal regulations and the need to create applications and web pages to allow any and every taxpayer the ability to use our website.

Visits to FTB's website grew almost 11 million from 2013-14 to 14-15. The growth will continue as more services become available and technology becomes more prevalent. The population of disabled in California in 2008 was 10.1%. Disabilitystatistics.org shows that the number of disabled ages 21-64 is 8.5%, ages 65-74 is 25.9% and ages 75+ is 52.7%. These numbers are important in understanding the needs of our website visitors and building our website to meet those needs. FTB requests additional resources for Web page developers, designers, programmers, testers, and content providers who will use universal web accessibility standards and guidelines to ensure web content and web applications are correctly designed and developed to ensure that all users have equal access to information and functionality. Accessible website will enhance services made available on FTB's website to help taxpayers fulfill their tax obligations. By making websites and digital technologies accessible, FTB creates an inclusive environment for people with disabilities.

Usability

A critical need for every web page and application is that it is usable and the user can accomplish what he or she came to do. FTB believes the web applications are the quickest and cheapest way to provide service to a large amount of taxpayers 24/7 from any location. A recent review of our usability standards (conversion rate) shows that taxpayers successfully use our applications between 30 and 75% of the time (industry standards supports an 80% conversion rate). With almost 15 million visits to our website annually, FTB is seeking resources to develop an even more robust website design and conduct usability testing to continue encouraging taxpayers to fully embrace and utilize the website as their primary solution for one and done service. This offers not only the opportunity to improve the taxpayer experience, but also could increase taxpayer participation in web services.

Staff will research and identify best business practices to enhance FTB's website graphics, videos, and other multimedia products in the way that ensures their website is highly responsive to a taxpayers needs. A well-designed graphic can quickly convey a concept faster than text. Videos have the power to engage people in a way text cannot. Text often requires the taxpayer's full attention to consume the information presented. With the growth in multitasking, and the short attention span of the typical website visitor, the use of multimedia is critical to catch and hold their attention long enough to fully convey the message. If taxpayers are unable to quickly understand the content provided, they will seek a secondary means to obtain the information. More often than not, that means a phone call to one of FTB's contact centers.

Contact Centers
Taxpayer Services Center Section (TSCS) (27 permanent positions)
MyFTB Registration Calls (32 permanent positions)

Taxpayer Services Center Section
Staff responds to taxpayer phone calls that FTB's Interactive Voice Response system cannot handle. Many taxpayers calling have also already attempted to self-serve via the website but continue to have questions and need to speak with an agent or otherwise still need assistance.

The Level of Access (LOA) is a primary measure of FTB's success in providing taxpayers with the assistance they require. LOA is defined as number of calls answered divided by the number of calls offered. Over the past five years, the annual LOA for FTB's primary contact center has ranged between 52% and 69%. This is clearly a cause for concern because taxpayers who are unable to access the contact center in a timely manner could:

- Delay payment of questionable balances pending their ability to ultimately access a live agent.
- Fail to respond to FTB notices and demands initially, thereby increasing the department's costs to resolve filing and payment issues.
- File returns with questionable legal positions, based on inaccurate advice, as they are unable to obtain answers to pre-filing questions.
- Attempt to call numerous times, thereby inflating the number of incoming calls and resulting in an increased number of deflected calls.[1]
- Result in calls that are longer to handle as taxpayers inevitably spend a portion of any completed call expressing their frustration with their prior, unsuccessful attempts to contact TSCS.
- Contact FTB through other channels including correspondence, live chat, and other contact centers creating additional unnecessary traffic.

For every taxpayer contact, generally staff must be able to perform the following tasks to resolve the contact.

- Analyze information regarding taxpayer obligations under the PIT and BE laws.
- Resolve questions related to bills and notices received from FTB related to their Audit, Collections and Filing Program activities.
- Understand and explain the reason(s) for tax liabilities assessed by FTB.
- Abate tax and issue refunds as appropriate.
- Assess tax adjust accounts as appropriate.
- Prepare complex account resolution transactions.
- Explain application of laws related to penalties and interest.
- Assist taxpayers in establishing payment arrangements.
- Release or modify wage-withholding orders.
- Assist in determining filing requirements and identifying appropriate forms for filing.

In 2014-15, TSCS answered 52% of the total calls received and 875,000 calls (48%) went unanswered. The unanswered calls were either deflected or abandoned[2]. These missed calls represent a significant number of missed opportunities for the FTB to minimize filing errors and increase revenue collection at the first point of contact — both activities which reduce the tax gap.

An analysis of the nature of the calls answered by the staff in the TSCS contact center demonstrates what a pivotal role it plays in assisting taxpayers to comply with their filing or payment obligations.

[1] Deflected calls: The number of busy signals given to taxpayers.
[2] Abandoned: The number of taxpayers that disconnect a call/chat while in queue, before reaching a live agent.

58% of callers needed assistance with:

- Facilitating the payment of balances, analyzing, and correcting individual account errors and information regarding taxpayer liabilities, filing enforcement assessments and collection notices.
- Resolving post-filing return correction and balance due issues prior to formal involuntary collection action.
- Facilitating the filing of timely, complete, and accurate tax returns.

42% of callers needed assistance with:

- Pre-filing assistance by providing general tax information, processing form requests, explaining filing requirements, tax law, policy and procedures. Addressing these questions before the taxpayer filed an erroneous return saved the taxpayer money and saved FTB and the State costs of working with the taxpayer after they erroneously filed. Errors in post filing compliance processes are the most expensive processes to resolve.

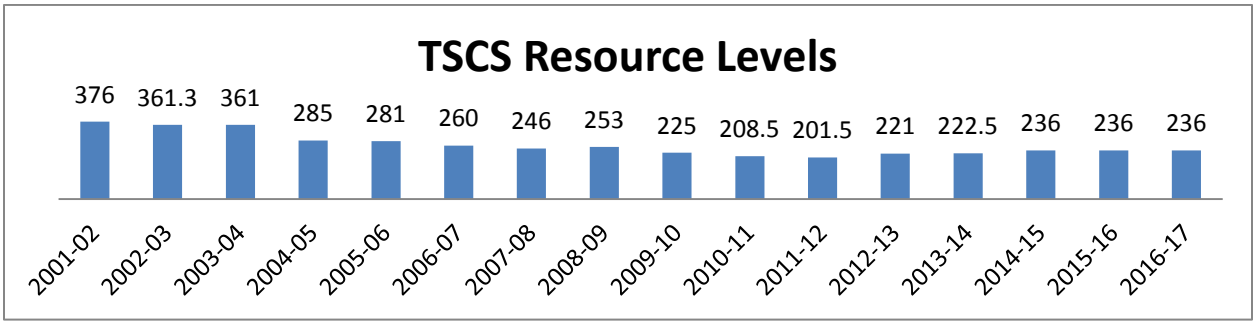
Although the LOA fluctuates monthly, it can range between 35% and 90%. During tax season, or after mailing out a large volume of tax due notices, FTB attempts to redirect staff to reach an approximate 40 to 50% level of access, however, existing resources frequently do not always allow this without triggering severe workload consequences in other areas. This leaves taxpayers of California struggling to find answers to tax questions needed in order to comply with filing requirements as well as pay outstanding tax liabilities.

FTB is requesting additional resources to increase the level of access in TSCS.

Current Level of Access	Level of Access with Additional Resources
50% and trending down	70%

If FTB is not provided additional resources, this affects taxpayers trying to self-comply because they cannot reach the contact center for assistance and support. This could ultimately result in taxpayer non-compliance, jeopardizes the voluntary nature of California's tax system potentially leading to an increased tax revenue loss for the state, and moves taxpayers toward involuntary collection actions that are more costly for the department to administer.

Below are the staffing levels of the TSCS customer service channel over the last 15 years. The reduction in resources is related to prior budget cuts versus a reduction in a need for staff.



MyFTB Registration Calls
Additional resources are requested in order to provide technical assistance to taxpayers using the new MyFTB. The enhanced MyFTB is available to authorized users such as individuals, business representatives, and tax preparers. It provides users with secure online access to more information and self-service options than what is currently available today. We anticipate the volume of visits to the enhanced MyFTB webpage will increase 50%, from 1 million to 1.5 million. FTB estimates that 10% of

these taxpayers and their representatives will contact FB for registration and password reset issues to gain access to their information in MyFTB.

FTB encourages taxpayers to use our web-based services and applications because they are cost effective and they give taxpayers the ability to manage and update their own taxpayer information and data. By providing quick access to assistance, we are providing a positive experience with automation and therefore encouraging continued use of self service.

Current Level of Access	Level of Access with Additional Resources
35%	80%

If FTB is not provided additional resources, taxpayers cannot access MyFTB to self serve resulting in these taxpayers needing to call or write to FTB when they may have otherwise been able to self serve.

Correspondence, Analysis, Support and Education (CASES)
Written Correspondence (18 permanent positions)
MyFTB Message (14 permanent positions)
Power of Attorney (40 permanent positions)
Live Chat (34 permanent positions, and conversion of 8 limited term positions to permanent in 17-18)

Written Correspondence
Staff responds to written inquiries from taxpayers and/or their representatives. Historical data shows the top reasons taxpayers write to FTB are for the following reasons:

- Personal Income taxpayers typically correspond regarding:
  - Balance due issues – 40%
    - Includes penalties, payments, and withholding issues.
  - Requests for payment options – 22%
    - How to pay in full, set up and/or request an installment arrangement, request how much time they have to pay.
  - Refund issues – 22%
    - Includes questions about where their refund is and why they haven't received it.
  - Pre-filing assistance – 16%
    - Includes estimate payment verification, forms, tax laws and general questions.

- Business Entity taxpayers also traditionally correspond on tax gap type subjects:
  - Balance due issues – 43%
    - Entity wants to provide proof of payment, discuss a balance due or claim for refund (response to a collection notice, or sending a claim for refund letter), send proof that they cancelled or dissolved (as a response to a final return notice), or respond to an annual notice that notifies entities of any delinquent balances due, they could state they don't owe it, or have since closed and there aren't any assets, or they could request additional information after an assessment is final.
  - Pre-filing assistance – 39%
    - Estimate payment verification, forms and tax law questions. Entity may want to resolve a request for return, including sending a copy of the return, or proving they do not have a requirement to file.
  - Refund issue/Returned warrant – 18%
    - Includes refund inquiries and returned warrant issues.

Taxpayers writing to the department continue to experience delays in processing and responding to their correspondence. While FTB's goal for timely processing correspondence is 30 calendar days, the average turnaround timeframe over the last year averaged eight months, with the highest turnaround time at ten months. Over the last three years, it has not been uncommon for backlogs, approaching 70,000 correspondence items, to have not been addressed by FTB until six to eight months after

receipt. FTB finds this level of backlog unacceptable. Over this same time period, FTB has redirected staff to reduce the backlog levels but other backlogs in the department are built that then need to be managed and when staff are redirected back to their ongoing job duties, the correspondence backlogs quickly build again. FTB's goal is to respond to correspondence within 30 calendar days. However, due to insufficient staffing levels, FTB has generally failed to meet that goal.

Current Level of Service	Level of Service with Additional Resources
Correspondence processed in 6 – 8 months	Correspondence processed in 3 months

If FTB is not provided additional resources for processing and responding to correspondence, the backlog will continue to grow. FTB will receive unnecessary additional taxpayer contacts throughout the department, taxpayers may receive erroneous notices and most importantly, it will diminish taxpayer's trust in FTB's ability to respond to them in a timely manner.

MyFTB Message

FTB requests ten positions to enhance its ability to effectively respond to taxpayers who use MyFTB Message to ask for assistance with filing a return, paying a bill, or otherwise resolving an outstanding question related to their tax filing or payment obligations. This new application first became available in January 2016. Many taxpayers have taken advantage of this new tool and in some circumstances, FTB may see a reduction in written mail correspondence. However, history has shown that adding a new customer service channel does not merely move the population of taxpayers between the various channels; it also results in increased contacts, as it is easier and more convenient to request assistance from FTB.

Current Level of Service	Level of Service with Additional Resources
New Channel	Inquiry processed in 30 days

Power of Attorney Workload

The enhanced MyFTB will be available to authorized users such as individuals, business representatives, and tax preparers. MyFTB allows customers self-service options to view and update demographic information, view tax returns, payments, notices and correspondence, submit correspondence online, and view, create, and update Power of Attorney authorizations. FTB requests additional resources to address the Power of Attorney workload.

EDR has implemented a new Power of Attorney Case Management system to ensure valid representatives are able to view their clients in the new MyFTB taxpayer folder. In 2014-15, FTB received approximately 10,000 incoming Power of Attorney declarations each month. The volume of incoming Power of Attorney declarations is expected to increase with the implementation of MyFTB due to additional use by tax representatives. The resolution of taxpayer accounts and the ability of tax representatives to work with FTB staff are vital to efficient tax administration. Current Power of Attorney information is critical, as FTB staff is able to work directly with tax representatives regarding specific taxpayer account issues. When a valid Power of Attorney is on file, the tax issue can be resolved within the earliest possible timeframe and over the least amount of time.

These resources are necessary in order to timely process new Power of Attorney declarations into the new case management system.

Current Level of Service	Level of Service with Additional Resources
POAs processed in 30/45/255 days depending on tool used	POAs processed in 30/45/90 days depending on tool used

If the declarations are not timely processed, backlogs will grow, revenue will be delayed, and FTB will get increased contacts by taxpayers and their representatives requesting the status of their Power of

Attorney. Delays in revocations of Power of Attorney may result in unauthorized disclosure of confidential taxpayer information.

Live Chat
FTB began offering General Live Chat on its website as a pilot project in March 2011. The project began taking general Personal Income Tax (PIT) questions through links located on FTB's public website. In the interest of protecting confidential taxpayer information, only general information questions were handled by FTB representatives, because the live chat system did not meet standards for the secure exchange of confidential taxpayer information. Customers are notified on the website not to include personal information such as social security or bank account numbers. In June 2011, Live Chat representatives began offering PIT customers the opportunity to move the chat to the secure email service if the contact required personal information to resolve the question. In September 2011, the program began answering general information questions for Business Entities. The service was well received and grew to over 110,000 chats annually.

Authenticated Live Chat was implemented in January 2016. Authenticated Live Chat is available to taxpayers through the external Taxpayer Folder and allows taxpayers to live chat regarding their specific account information.

FTB received eight two-year limited term positions in the 2015-16 Enterprise Data to Revenue Project BCP to handle the increase in live chat conversations with taxpayers due to the implementation of Authenticated Live Chat. FTB is seeking these positions on a permanent basis as well as requesting additional resources necessary to maintain a high level of access.

Current Level of Service	Level of Service with Additional Resources
18% Authenticated Chat 95% General Chat	55% Authenticated Chat 50% General Chat

E. Outcomes and Accountability

In an effort to address customer service as an enterprise issue, FTB Executive Management established the Customer Service Action Committee (CSAC). Committee membership includes Division Chiefs and Bureau Directors from across the enterprise whose programs are impacted by customer service. The CSAC reports directly to the executive sponsors and ultimately to the Executive Officer. The implementation and on-going progress of the initiatives addressed in the proposal will be monitored by the CSAC who will regularly report to Executive Management the challenges and successes of those initiatives. While the action committee is also tasked with monitoring the use of resources associated with this proposal, the ultimate responsibility remains with the department's Chief Financial Officer.

This proposal is supported by the Feasibility Study Report, *Enterprise Web Application Environment Project*, Project Number FTB FSR 02-14, and Post Implementation Evaluation Report approved by the California Department of Technology on November 4, 2005.

F. Analysis of All Feasible Alternatives

Alternative 1: Approve $15 million and 180 permanent positions in 2016-17, and $15 million and 193 permanent positions in 2017-18, and ongoing to achieve an improved levels of access and service as noted in Budget Change Proposal.
$15 million general fund and 180 positions for 2016-17 and $15 million and 193 permanent positions in 2017-18, and ongoing, to enable the department to transact business with taxpayers more quickly, interacting in ways that are more convenient for them, and providing more information to meet taxpayers needs and resolve their questions. These staffing levels will allow FTB to increase its ability to answer the phone at a rate equivalent to 70% of callers (70% level of access), timely respond to

written requests for information received via the U.S. Postal Service (90 calendar days) or through the MyFTB Message channel (30 days), respond to live chats and authenticated live chats at a rate equivalent to 55% and 50%,respectively, and upgrade and update its website to allow for better, and more usable and accessible self service channels.

Alternative 2: Approve $20 million and 247 permanent positions to achieve optimal levels of access and service.
$20 million general fund and 247 positions for 2016-17 and $20 million and 260 permanent positions in 2017-18, and ongoing, to enable the department to transact business with citizens more quickly, interacting in ways that are more convenient for them, and providing more information to meet taxpayers needs and resolve their questions. These staffing levels will allow FTB to increase its ability to answer the phone at a rate equivalent to 80% of callers (80% level of access), respond to written requests for information received via the U.S. Postal Service (90 calendar days) or through MyFTB Message channel (30 days), respond to live chats and authenticated live chats at a rate equivalent to 95% and 90%,respectively, and upgrade and update its website to allow for better, and more usable and accessible self service channels.

Alternative 3: Approve $14 million and 161 permanent positions to achieve a 60% level of access in the call center and other various levels of service.
$14 million general fund and 161 positions for 2016-17 and $14 million and 174 permanent positions in 2017-18, and ongoing, to enable the department to transact business with citizens more quickly, interacting in ways that are more convenient for them, and providing more information to meet taxpayers needs and resolve their questions. These staffing levels will allow FTB to increase its ability to answer the phone at a rate equivalent to 60% of callers (60% level of access), timely respond to written requests for information received via the U.S. Postal Service or through MyFTB Message channel, respond to live chats and authenticated live chats at a rate equivalent to 55% and 50%,respectively, and upgrade and update its website to allow for better, and more usable and accessible self service channels.

Alternative 4: Do not approve proposal.
If the proposal is not approved, FTB will continue to work at its current level resulting in continued taxpayer dissatisfaction and the creation of unsustainable backlogs, which has hindered taxpayers' ability to get timely information or resolution to their tax issue, which has resulted in the ongoing criticism of FTB in regards to managing these workloads. FTB strongly believes the existing service levels and response times in FTB's customer service channels are undesirable and present unnecessary risks to taxpayers and the State. This leaves citizens of California struggling to find answers to tax questions needed in order to comply with filing requirements as well as pay outstanding tax liabilities.

G. Implementation Plan

- June 2016 – FTB prepares documents to establish 2016-17 positions and forwards to the Department of Finance.
- June 2016 – DOF notifies FTB of position approval.
- July 1, 2016 – Funding is provided and positions are established. FTB begins hiring.
- June 2017 – FTB prepares documents to establish 2017-18 positions and forwards to the department of finance.
- June 2017 – DOF notifies FTB of position approval.
- July 1, 2017 – Funding is provided and positions are established. FTB begins hiring.

5. Supplemental Information *(Check box (es) below and provide additional descriptions.)*

☐ None ☒ Facility/Capital Costs ☐ Equipment ☒ Contracts ☒ Other <u>One-Time</u>

- Facilities – Modular configuration.
- Contracts – Consulting & Professional Services - External
- Other – Minor equipment.

6. Recommendation

Approve Alternative 1: Approve $15 million general fund and 180 permanent positions in 2016-17, and $15 million and 193 permanent positions in 2017-18, and ongoing, to achieve an 70% level of access and enable the department to transact business with citizens more quickly, interacting in ways that are more convenient for them, and providing more information about a variety of services.

7730-005-BCP-BR-2016-A1

	CY	BY	BY+1	BY+2	BY+3	BY+4
Positions						
Permanent	0.0	180.0	193.0	193.0	193.0	193.0
Temporary	0.0	0.0	0.0	0.0	0.0	0.0
Exempt	0.0	0.0	0.0	0.0	0.0	0.0
Board	0.0	0.0	0.0	0.0	0.0	0.0
Total Positions	**0.0**	**180.0**	**193.0**	**193.0**	**193.0**	**193.0**
Salaries and Wages						
Earnings - Permanent	0	8,492,000	9,177,000	9,177,000	9,177,000	9,177,000
Earnings - Temporary	0	0	0	0	0	0
Earnings - Statutory/Exempt	0	0	0	0	0	0
Overtime, Holiday, Other	0	0	0	0	0	0
Total Salaries and Wages	**$0**	**$8,492,000**	**$9,177,000**	**$9,177,000**	**$9,177,000**	**$9,177,000**
Staff Benefits						
Dental Insurance	0	106,000	114,000	114,000	114,000	114,000
Disability Leave	0	9,000	9,000	9,000	9,000	9,000
Health Insurance	0	1,936,000	2,076,000	2,076,000	2,076,000	2,076,000
Life Insurance	0	0	0	0	0	0
Medicare Taxation	0	123,000	133,000	133,000	133,000	133,000
OASDI	0	527,000	568,000	568,000	568,000	568,000
Retirement	0	2,062,000	2,228,000	2,228,000	2,228,000	2,228,000
Unemployment Insurance	0	0	0	0	0	0
Vision Care	0	19,000	20,000	20,000	20,000	20,000
Workers Compensation	0	32,000	35,000	35,000	35,000	35,000
Staff Benefits - Other	0	0	0	0	0	0
Total Staff Benefits	**0**	**4,814,000**	**5,183,000**	**5,183,000**	**5,183,000**	**5,183,000**
Total Personal Services	**$0**	**$13,306,000**	**$14,360,000**	**$14,360,000**	**$14,360,000**	**$14,360,000**
Operating Expenses and Equipment						
General Expense	0	458,000	167,000	167,000	167,000	167,000
Printing	0	5,000	6,000	6,000	6,000	6,000
Communications	0	108,000	116,000	116,000	116,000	116,000
Postage	0	0	0	0	0	0
Insurance	0	0	0	0	0	0
Travel	0	0	0	0	0	0
Training	0	0	0	0	0	0
Facilities Operations	0	552,000	15,000	15,000	15,000	15,000
Utilities	0	0	0	0	0	0
Consulting and Professional Services	0	100,000	0	0	0	0
Departmental Services	0	0	0	0	0	0
Consolidated Data Centers	0	0	0	0	0	0
Information Technology	0	442,000	292,000	292,000	292,000	292,000
Central Administrative Services	0	0	0	0	0	0
Office Equipment	0	0	0	0	0	0
Other	0	0	0	0	0	0
Unclassified/Special Adjustment	0	0	0	0	0	0
Total Operating Expenses and Equipment	**$0**	**$1,665,000**	**$596,000**	**$596,000**	**$596,000**	**$596,000**
Total Budget Request	**$0**	**$14,971,000**	**$14,956,000**	**$14,956,000**	**$14,956,000**	**$14,956,000**
Fund Source - State Operations						
General Fund	0	14,971,000	14,956,000	14,956,000	14,956,000	14,956,000
Federal Funds	0	0	0	0	0	0
Other/Special Funds	0	0	0	0	0	0
Total State Operations Expenditures	**$0**	**$14,971,000**	**$14,956,000**	**$14,956,000**	**$14,956,000**	**$14,956,000**
Fund Source - Local Assistance						
General Fund	0	0	0	0	0	0
Federal Funds	0	0	0	0	0	0
Other/Special Funds	0	0	0	0	0	0
Total Local Assistance Expenditures	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**