

STATE OF CALIFORNIA
FRANCHISE TAX BOARD

PUBLIC MEETING

THURSDAY, SEPTEMBER 8, 2016
GERALD GOLDBERG AUDITORIUM
9646 BUTTERFIELD WAY
SACRAMENTO, CALIFORNIA

REPORTED BY:

KATHRYN S. SWANK

CSR NO. 13061

INDEX

ITEM NO.		PAGE
1.	Approval of Minutes	5
2.	2015 Supervisory Bonus and 2016 Accomplishment Award Recipients	5
3.	Workforce and Succession Planning	9
4.	Legislative Update	15
5.	Regulation Matters	21
6.	Administrative Matters	
A.	2017-2018 Proposed BCPs - Information Item	23
	1. PBX Replacement Project	
	2. Court Ordered Debt	
	3. Audit Protest Workload	
	4. CA competes Tax Credit	
B.	Contracts Over \$1 million	30
7.	Executive Officer's Time	31
8.	Board Members' Time	33
	Closed Session	34
	Reporter's Certificate	35

APPEARANCES

BOARD MEMBERS:

YVETTE STOWERS, ACTING CHAIRPERSON

FIONA MA

ERAINA ORTEGA

STAFF:

SELVI STANISLAUS, EXECUTIVE OFFICER

DAWN CASEY, BOARD LIAISON

ERIN CARVEL

MARCO ESQUIVEL

GAIL HALL

DONNY LE

ROBERT MORENO

COUNSEL:

JOZEL L. BRUNETT

BRUCE LANGSTON

---o0o---

SACRAMENTO, CALIFORNIA

THURSDAY, SEPTEMBER 8, 2016, 1:33 P.M.

---oOo---

ACTING CHAIRPERSON STOWERS: This is the scheduled time for the meeting of the Franchise Tax Board.

Would the board liaison please call the roll to determine a quorum?

MS. CASEY: Member Ma?

MEMBER MA: Here.

MS. CASEY: Member Ortega?

MEMBER ORTEGA: Here.

MS. CASEY: Chair Deputy Controller Yvette Stowers?

ACTING CHAIRPERSON STOWERS: Here.

At least two members or their designee personally being here, the Franchise Tax Board is now in session.

Members and audience, if you like, please stand and join me with the Pledge of Allegiance.

(Pledge of Allegiance recited in unison.)

ACTING CHAIRPERSON STOWERS: The public has the right to comment on each item. If there are members in the public wishing to speak on an item, please come forward when that item is called. And you will have three minutes to present your item.

The first item today, Members, is Approval of the Minutes from the July 12th, 2016, meeting.

Do I have a motion?

MEMBER ORTEGA: Move approval.

MEMBER MA: Second.

ACTING CHAIRPERSON STOWERS: There's a first. The motion is seconded. No objection. The motion passed.

Item Number 2 is a presentation of the 2015 Supervisory Bonus and 2016 Superior Accomplishment Award.

We have Robert Moreno presenting. This is an informational item and PowerPoint.

We now have a screen to my left. So guess what? We don't have to go to the edge.

(Laughter.)

MR. MORENO: Thank you, Madam Chair.

Good afternoon. My name is Robert Moreno, and I'm the assistant director over the department's Business and Human Resources Bureau.

It's an honor to be here today in front of the board, as I've been for the last three years, recognizing the recipients of two of our formal recognition programs: Those for being exemplary supervisors, and those for their superior accomplishments. These programs support the strong organizational goal, as laid out in the department's strategic plan.

Employee recognition continues to be a top focus across state government. In a recent employee engagement survey that was conducted by the Government Operations Agency and CalHR, state employees were given a series of statements and asked to respond to whether or not they agreed with the statement.

One of the least-agreed-with statements in the survey was, "I receive recognition for doing good work." There were other statements that received very positive responses. Agency Secretary Marybel Batjer has repeatedly mentioned how concerned she was with the number of employees who are not being recognized for their good work and she acknowledged the need for improvement across all of state government.

At FTB, feedback from our employees is that we do take the time to celebrate successes and recognize contributions of our dedicated employees.

Additionally, FTB is looked upon as a model department for our various formal and informal employee recognition programs. Employee recognition programs have been part of FTB's culture for the past 30 years and is a key factor to our continued success in achieving our Departmental strategies and goals. Each nominee must meet a distinct set of criteria in order to be considered, and only the truly elite receive the prestigious award annually. This year, 52 individuals and 11 teams met that criteria.

In addition to formal recognition ceremonies held in this auditorium, we recognize our recipients by posting their photos and accomplishments on our internal website and in the main hallway near our personnel lobby. We also think it's an accomplishment worthy of recognition in this forum and we appreciate the opportunity to present this as an annual board item.

At this point, I'm going to launch a slideshow containing the recipients' photos, their names, and the type of award they've received.

All of the accomplishments support one or more of our strategic goals, and they are organized by the goal they supported the most.

So with your permission, let's take a look at this year's recipients.

(Slide show presentation.)

MR. MORENO: Well, I hope you enjoyed the presentation.

Our employees are our most valuable asset. And for me, it's been a rewarding experience being part of the process that recognizes these talented, creative, and innovative individuals and teams. I would again like to take this opportunity to thank the board for your continued support of employee engagement and recognition programs at FTB.

Before I conclude the presentation, we have several recipients sitting in the audience. And at this point I would like to turn it over to Madam Chair.

ACTING CHAIRPERSON STOWERS: Thank you. In the audience, wow, I recognize so many of those names, and I was shocked to see some. So those who are here in the audience, please join us on the stage so I can shake your hands -- or we can shake your hands.

MR. MORENO: Tara Dutta; Garret Goto; Alexandra Simms; Sue Ramirez; Brian Hale; Jami Chargin; Nicole Sharoian; Rossana Miranda; Julia Gutierrez; David Bigelow; Uschi Turner; Victoria Dill; Katrina Willis; Martha Chavez; LeeAnn Sanchez; Flesia Robinson; Daniel Saechao; Iris Solis; Audra Reyes; Elizabeth Stroh; Miki Keen; Jaclyn Zumaeta; Lisa DeLaCruz; Tina Wylde; Lila Fedler; Mike Sin; Tosha LoBue; Ryan Giles; Mark Carroll; Denise Azimi; Mary Bishop; Wen Xia; Sean McDaniel; Davi Milam; Rachel Peruch; Danielle Barron; Kim Porbanic; Anne James; Alfred Lung; Christopher Calhoun; Cathy Kelly; Joseph Jaco; Sharon Greenhagen; Cynthia Cummings; Trish Mowry; Sharon Rabang

(Applause.)

ACTING CHAIRPERSON STOWERS: Lots of people I haven't seen in a while, a long time. That was really nice. Lots of people I've been harassing in the past year or two. So thank you to you as well.

(Laughter.)

ACTING CHAIRPERSON STOWERS: Okay. Where are we?

Item Number 3. Item Number 3 is Workforce and Succession Planning. This is an informational item and PowerPoint and we have Erin Carvell presenting.

MS. CARVEL: Thank you for much for the opportunity to present to you one of my passions today.

My name is Erin Carvel, and I'm honored to serve as our department's workforce planner. Today I will present you with information regarding workforce and succession planning efforts underway here at Franchise Tax Board.

As you heard at July's board meeting, workforce planning was identified as a top risk for the department through the State Leadership Accountability Act, also known as SLAA, as well as within our internal talent management efforts. It is also a component of the strong organizational goal in our strategic plan.

I will cover the risks we are facing, the steps we're taking to mitigate the risks, and create a culture of share-what-you-know. I will also describe how we're taking these actions and how they will benefit our most valuable asset, our employees.

Our efforts aim to provide employees the opportunity to develop and own their career through education and empowerment.

While many organizations focus their efforts on the risk of losing employees due to retirement, we at FTB recognize that this is only one of the ways that we can lose talent and critical knowledge.

With our approaching "silver tsunami" of potential retirements facing our workforce, our employees will have an increased risk of external attrition, meaning, they could leave to work for another employer, whether public or private. These movements will also increase internal numbers of promotions and

transfers, and as we do our best to retain our top talent, we hope that they will continue to be here at FTB.

FTB is known for retaining its employees and often employing them for a decade or two or more. As an organization, we have an extremely impressive retention rate. Our retention rate is the number of employees that remain working for an employer and do not leave. In 2015, the average retention rate for an employer in the United States was 83 percent. Some state departments are well known for their excellent retention rates, and they hover around 92 percent. We are proud to say, at FTB, our retention rate is 94 percent. We are thrilled that so many of our employees remain with the department, yet we recognize, critical knowledge can still leave at any time.

While we are excited to see our employees continue and develop and travel down their career paths, hopefully continuing as a valued FTB team member, we recognize this movement, including internal movement, poses a risk to the department. The true identified risk facing our department is the loss of critical institutional knowledge.

With the awareness that a risk is losing the knowledge that our talented employees possess, we are working to actively mitigate the risk by focusing on knowledge transfer. One of the knowledge transfer strategies we're developing is a repeatable process to identify critical knowledge areas.

For example, I've had the pleasure of working closely with Annette Kunze, and the Audit Division management team, to help them identify the knowledge areas needed, as well as strategies to help ensure that knowledge is shared with an appropriate number of employees.

Another component of our knowledge transfer effort is identifying critical positions. This effort examines the level of recruitment effort needed, as well as the impact to the department, to identify our most critical positions. By identifying our critical knowledge areas and critical positions, we are able to pinpoint exactly the areas we need to target our initial knowledge transfer efforts. These efforts, along with tools, change management, and support from our FTB team, will help us create a culture of "share-what-you-know."

In this culture, knowledge transfer happens fluidly, starting at day one of employment, and continuing into the employee's last day. Another major focus of workforce and succession planning is aimed at recruiting our talent.

FTB strives to be an employer of choice, and we recognize our employees are our greatest asset. We want to keep our employees engaged and empowered. We hope that these efforts will continue to keep our impressive retention rate. Workforce Planning has worked hard to update and increase staff development programs to assist in these efforts.

One specific effort is the creation of our Talent Development Center. The Talent Development Center, or TDC, gives employees the tools and knowledge to own their career. The TDC is open to all employees, from students and seasonal clerks, to analysts, auditors, and managers. There are scheduled drop-in hours where a team member from the Organizational and Employee Development Services section is available to answer career-related questions. We provide group workshops on topics such as resume writing and understanding the hiring process. We provide individualized career counseling sessions, mock interviews, and information on skills development and learning resources. It is one more avenue for us to become experts at what we do, which is one of FTB's core values.

Through the TDC, we hope our employees obtain the tools they need to feel empowered and confident owning their career. So as you can see, workforce and succession planning is really three-tiered: One, it focuses on the critical skills and abilities we need to keep our organization running efficiently and effectively; two, it looks to provide employees the opportunity to grow and develop; and, three, it looks at ways to empower, engage, and retain our employees in a world where everyone's competing for the talent that we possess.

We appreciate your continuous support as our board and for you recognizing the importance of preserving our critical knowledge through employee development and retention.

Thank you for your time and attention today, and I'm happy to answer any questions that you may have.

ACTING CHAIRPERSON STOWERS: Thank you.

Questions, comments, Members?

MEMBER MA: I would just say, I'm very impressed with the high retention rate here at the FTB. And it's great. We do really, whenever my chief of staff and I come over, we feel the love, like everywhere. And so it's not surprising that the retention rate is so high. So congratulations to all of you.

And I know, at the BOE, all of our employees are also like family, when I go out to my different districts. We have also long-term employees that work 20, 30, sometimes 35 years. And so, that's also a credit to all of you, who enjoy going to work and also support each other like a family. So congratulations to all of you.

ACTING CHAIRPERSON STOWERS: Thank you.

Yes, 94 percent is a high retention rate, and I think just Item 2, when I was shaking hands, that I saw that retention rate, because so many people -- (Laughter) -- I won't say when we started, but some of us, we trained together. Some were here when I had this lapse of judgment and I left -- (Laughter) -- and they were here with me. We went shopping together. I still remember that. And here, they are still here.

And, you know, they are here but growing in their professional careers. And I think a lot of that has to do with FTB's structure and allowing people to move from one area to the other so that you continue to be challenged and grow.

So congratulations to the Franchise Tax Board and to Selvi for having such a strong team.

Okay. Item 4 is our next item and that is a legislative update by Ms. Gail Hall.

MS. HALL: Madam Chair, Members, I'm Gail Hall, the director of the Legislative Services Bureau.

I'm pleased to announce that the 2016 legislative session ended on August 31st. Of the 81 bills analyzed by the department, five have been enacted into law and 17 are enrolled to the governor, awaiting his signature or veto.

My team worked with the authors' offices, and these bills have no implementation or technical concerns and have no significant impact to the department's programs or operations. It was a very successful legislative session.

I thought I would highlight a few bills from the 2016 session. Several years ago, the legislature started adding to new tax credits sunset dates and recording requirements. The strategy was to allow the legislature, after a few years, to review credits for their effectiveness, and then decide whether to extend, modify, or let the tax credits sunset.

The Donated Fresh Fruits and Vegetables Tax Credit is an example of such legislation. This law was due to sunset at the end of 2016. The FTB was required to issue a report to the legislature on the utilization of the credit, and did so in December of 2014. As a result, for all of you healthy eaters and vegans out there, I'm excited to let you know that the fresh fruits and veggies credit was extended five more years.

SB 837 was enacted into law in June of 2016. This bill modified the credit to be equal to 15 percent of the donated items, instead of 10 percent, and changed how to value the donated goods. Now it uses a weighted average, wholesale, price valuation, instead of the complex Internal Revenue Code 263(a). FTB will again issue a report to the legislature in December of 2019 on the utilization of the credit.

We will continue to see this process as more new tax credits approach their sunset dates.

SBX2-2, enacted in March 2016, established a managed care organization tax, an MCO tax, but also provided an income exclusion under corporation tax law. A health care service plan that's subject to the MCO tax may exclude health care service plan income from corporation income tax. The State Department of Health Services will annually provide to the department a list of the corporations subject to the MCO tax and any owners of that health plan. And the health care service plan income is required to be reported to the Department of Managed Health Care. So the department has no implementation concerns with this new law.

I wanted to briefly discuss conformity. In 2015, Congress passed seven different acts. Unfortunately, there was no conformity bill this session. But there were a few conformity provisions that made it into bills.

SB 907 would extend mortgage forgiveness debt relief for discharges occurring in 2014, 2015, and 2016. This bill did not originally pass out of the Assembly Appropriations Committee, but on the last day of session, this bill was revived and enrolled to the governor.

As you know, the department has received numerous calls from taxpayers regarding this bill, and we, as a department, are ready to assist taxpayers, if this bill is either signed or vetoed by the governor.

AB 1775 has been enrolled. It would modify the California return original due dates for partnerships and C Corporations to be similar to the federal original due dates. So corporations would have a due date of the 15th day of the fourth month. So for calendar year corporations, that would be April 15th; and partnerships would have a new due date of the 15th day of the third month. So for calendar year partnerships, that would be March 15th.

This bill does not conform to the new federal rules for June 30th -- yearend filers. For California, June 30th corporation filers would file on the same date as all other corporations.

SB 1073 has been enrolled to the governor. In 2015, Congress made their 45 percent earned income tax credit rate, for families with three or more children, permanent and restructured the Internal Revenue Code by adding the 45 percent rate to the federal table in the code.

California law specifically does not conform to this table and has its own table. Therefore, for 2016, California no longer has a 45 percent EITC rate. So families with three or more children would receive a credit equal to 40 percent of their earnings, instead of the 45 percent rate they received for their tax year 2015. This bill would reinstate for California the 45 percent rate for families with three or more children.

Those are the highlights of the 2016 legislative session, and I'm happy to answer any questions you may have.

ACTING CHAIRPERSON STOWERS: Thank you. Any questions or comments?

I have a couple of comments.

First, thank you for the report on SB 837. That's the donated fresh fruit and vegetable tax credit. Since it is a tax expenditure, I took a look at some of the food bank pages to see if they were promoting the credit, and I was happy to see that they are promoting the credit. It's really for those farmers who have surplus food items that they can donate to the banks. And a credit is always better than a deduction.

My other take-away from this was the fact that they were claiming the credit; tells me that farmers are making income. So that's a good thing as well.

And my other items, Members. I would like to acknowledge Gail Hall. Gail is retiring from state service. Gail started her career with the Franchise Tax Board in June of 1996. She started in the Audit Division and she worked with multistate taxpayers and partnerships. She also worked in the protest unit. And from there, she transferred over, in 2004, to the Legislative Services Bureau, where she focused on legislation dealing with corporate taxpayers.

From January 2011 to May 2012, she served as the FTB liaison for BOE former Chair Jerome Horton.

After that tour of duty, Gail returned to the Franchise Tax Board and was appointed to the position of the bureau director for the Legislative Service Bureau.

And in her current role, she has served the Franchise Tax Board and the state of California well, while working with legislators and external stakeholders to ensure that the tax laws are written as intended and can be administered. And we all know that administering the tax law is key.

So at this time, Gail, I would like to say thank you very much. Controller Yee thanks you very much. And enjoy your retirement.

MS. HALL: Thank you.

(Applause.)

MEMBER MA: I would also like to thank you on behalf of Tim Morland, who is my "leg." director. Since we've been here for 18 months, he says that you have been very, very helpful and responsive, and very knowledgeable. And so he's sad to see you go, as well as Michele Pielsticker, who heads our legislative unit at the BOE, also speaks for highly of you. So you will be missed.

MS. HALL: Thank you very much.

(Applause.)

ACTING CHAIRPERSON STOWERS: Item 5. Item 5 is a regulation matter. This is an action item, and we have Mr. Donny Le on Procedures and Standards for Hearing on Request for Release under section 494.5 of the California Business and Professional Code.

MR. LE: Good afternoon. My name is Donny Le.

We are seeking the board's permission to proceed with two emergency regulations: Regulation 19195-1 and Regulation 19195-2. This permission would include authority to make changes to the regulations required by the Office of Administrative Law during the emergency rulemaking process.

We also seek permission to move into the formal regulatory process to adopt these regulations as final regulations after promulgation of the emergency regulations.

Under the Revenue and Taxation Code, the Franchise Tax Board publishes a list of its top 500 tax delinquencies in excess of \$100,000, twice annually.

Under the Business and Professions Code, a taxpayer who is on the top 500 list would generally have an application for certain licenses denied or those licenses suspended unless the Franchise Tax Board provides the relevant governmental licensing entity with a release.

The first regulation provides the procedures under which a taxpayer will be provided a hearing on the issue of whether the Franchise Tax Board will provide a release.

The second regulation provides the standards that the hearing officer will use in determining whether the taxpayer has a current financial hardship that will enable the taxpayer to obtain a release.

The Franchise Tax Board has authority to adopt these regulations as emergency regulations under the Business and Professions Code. We believe it is important to adopt these regulations as emergency regulations so that the procedures and standards contained in the regulations will be available to taxpayers on the next top 500 list scheduled to be published in October of this year.

The emergency regulations will be effective for 180 days with two permissive 90-day extensions. Accordingly, following adoption of the emergency regulations, staff will immediately proceed towards conversion of the emergency regulations into final regulations under the Administrative Procedures Act.

I now ask for your board's approval of our requests for permission to proceed, and I'm happy to answer any questions that you may have.

ACTING CHAIRPERSON STOWERS: Comments or questions, Members?

MEMBER ORTEGA: I move approval of the recommendation.

MEMBER MA: Second.

ACTING CHAIRPERSON STOWERS: There's a motion and a second. With no objection, the motion passed.

MR. LE: Thank you.

ACTING CHAIRPERSON STOWERS: Next item is Item 6, administrative matters. We have the 2017/2018 proposed budget changes, which include four subitems and contracts over \$1 million.

We have Marco Esquivel presenting on this item.

MR. ESQUIVEL: Thank you.

ACTING CHAIRPERSON STOWERS: These items can be approved on one motion or taken up separately.

Go ahead.

MR. ESQUIVEL: Good afternoon. My name is Marco Esquivel. I'm here to present administrative matters in Item Number 6.

During the July board meeting, I had shared FTB's proposed budget change proposal concepts. We are now requesting your approval on FTB's proposed BCPs for fiscal year 17/18.

FTB's first proposal is requesting to replace FTB's phone system, which is reaching end of life as of March 2018. Franchise Tax Board requests an augmentation of \$3.1 million general fund and \$132,000 special funds for fiscal year 17/18. FTB's phone system is critical to FTB's operations. FTB's current telecommunication system was installed in 1995 and is the backbone for FTB's central office.

The replacement is required to assure quality service to taxpayers and internal and external stakeholders. They would also allow FTB to answer approximately 16 million phone calls a year, including high call volume demands during peak filing season. And then it would also allow us to avoid any negative impacts to the revenue generating operations to the Franchise Tax Board.

If the system is not replaced, FTB runs the risk of being unable to prevent staff downtime due to telecommunication failures. It will also have a negative impact on taxpayers and internal and external stakeholders because FTB will be unresponsive to phone inquiries. And then it would have a negative impact to California's general fund revenue.

The proposed solution is to replace the current PBX system with a voice over internet protocol platform within the FTB's central office and field offices.

The solution will provide FTB the following: Greater control over the system; resolving system issues; implementing updates and maintaining security; it will allow us to customize applications, system specifications, and configuration details can be tailored to FTB's exact needs.

And then it would also allow us to integrate with FTB's current infrastructure, which will ensure the department maintains a high level of security. That concludes this proposal.

The next proposal that we're bringing forward is a request for resources for our court-ordered debt program. FTB's requesting to sustain the current level of collections services and clear the current backlogs of collection actions at no cost to the state general fund.

FTB's requesting the conversion of seven temporary help to permanent positions and 11 3-year limited term positions at a cost of \$1.1 million to address backlog and collections actions and court-ordered debt collections.

The resources are necessary to continue to provide collection services and work the backlog of accounts.

This proposal is also projected to increase revenue for the courts at approximately \$3.8 million in fiscal year 17/18 and \$7.7 million for fiscal year 18/19.

That concludes that proposal.

The next proposal that we're bringing forward is requesting resources that are critical to the continued success of working with the taxpayers to resolve protests and appeals. This proposal requests nine permanent positions and \$1.2 million general fund to replace 12 expiring 3-year limited term positions for our audit program.

The current positions will expire on June 30th, 2017. In fiscal year 14/15, FTB received 12 3-year limited term hearing officer positions to address the backlog that had accumulated within the undocketed protest workloads. The additional hearing officers would allow FTB to assign more cases in a timely manner, thereby reducing the number of backlog cases, aged cases, and overall inventory. Eight of the nine permanent positions will continue to work all administrative resolutions/processes for undocketed protests within appropriate time frames while sustaining practical inventory levels.

In addition, one staff member will work with the increase in federal, state, and special audit section appeals, working alongside FTB attorneys. This staff person will provide the resources to address the resolution processes for appeals in order to sustain current inventory levels within appropriate time frames.

The final proposal that we're bringing forward is related to California Competes Tax Credit, which is an income tax credit available to businesses that want to come to California or stay and grow in California.

FTB requests \$1.7 million limited-term funding from the general fund to allow FTB to extend four limited term positions set to expire June 30th, 2017, and hire ten new additional limited-term staff to perform the mandatory reviews.

The California Competes Tax Credit was created under the Governor's 2013 economic and development initiatives. The initial annual estimate was 50 agreements per year, subject to mandatory review. However, from July of 2013 through April 2016, GO-Biz has approved 280 agreements.

Now FTB estimates that there will be approximately 60 new agreements approved by GO-Biz each application period, for a total of 180 annual agreements available for review per year.

Therefore, in order to avoid impacts to FTB revenue generating audit functions, FTB is requesting additional limited term resources to minimize those impacts. And at this time, I am happy to answer any questions you may have.

ACTING CHAIRPERSON STOWERS: Questions, members?

MEMBER MA: I do have one question. On the BCP for the 9 permanent positions to replace 12 expiring 3-year limited-term positions --

MR. ESQUIVEL: Yes.

MEMBER MA: -- in section B, last paragraph on that page, it says, in the past year, FTB has continued its efforts to address the tax gap with additional data sources now available.

FTB has seen an increased level of protests for audits conducted within our federal, state, and special audit section, which led to additional protests and will ultimately lead to increased appeals.

And I'm just wondering what the additional data sources are that are leading to additional appeals.

MR. ESQUIVEL: The Fed and State Audit Section, that would be related to our business appeals that our fed and state audit section receives, that they will be working with our FTB attorneys in addressing some of those additional reviews. So it's coming from the business community.

MR. LANGSTON: Just to clarify a little bit.

Our new EDR system has allowed us to bring in a lot more third-party data sources; that's information reporting from other agencies. And what those have done, have allowed us to model more cases for audit, and we have gotten more accurate assessments, and those have resulted in higher protests. So it's sort of indirectly a result from our new EDR system.

MEMBER MA: Okay. So it's FTB being able to access more data?

MR. ESQUIVEL: Yes.

MEMBER MA: For audits.

MR. LANGSTON: Yes.

MEMBER MA: Okay.

MEMBER ORTEGA: Madam Chair, I would like to abstain from this vote.

ACTING CHAIRPERSON STOWERS: Okay. Is there a motion, Ms. Ma?

MEMBER MA: Yes. I move to move forward with the four BCPs.

ACTING CHAIRPERSON STOWERS: I second that motion.

Motion by Ms. Ma; seconded by myself, with the Finance abstaining.

No objection. The motion passes.

Contracts over a million?

MR. ESQUIVEL: Yes. The next item we're seeking your approval for is to purchase additional data storage capacity for our enterprise storage systems. The additional space is required in order to store and process mission critical taxpayer information which is accessed by multiple FTB systems such as our nonfiler system as well as CalFile and Webpay. This estimated cost is approximately \$6 million.

MEMBER ORTEGA: I will move approval.

MR. ESQUIVEL: At this point, I'm happy to answer any questions.

MEMBER ORTEGA: Move approval of the contract.

MEMBER MA: Second.

ACTING CHAIRPERSON STOWERS: There's a motion and a second. No objection, the motion passed.

Thank you.

Our next item is Item Number 7, Executive Officer Time. Ms. Stanislaus.

EXECUTIVE OFFICER STANISLAUS: Thank you, Board Members.

So I wanted to share my time on the agenda to tell you about yesterday's productive meeting of FTB's Advisory Board. The current board is comprised of 19 members, and they were all here yesterday, from 10:00 to 3:00.

So we addressed issues like things we have brought before the board, including topics of interest from FTB's strategic plan, recent legislation, litigation, and regulation matters, such as the rulemaking process to determine tax implications of space transportation. We received great feedback on audit and collection practices, as well as tax professionals' use of MyFTB online application.

The advisory board meeting marks the start of our annual outreach drive with tax professionals to include them in the planning process for next season's filing.

Later this fall, FTB's staff will speak at meetings of the California Society of CPAs, and that's going to be on October 19th; and the California Society of Enrolled Agents and that's going to be October 21st, to discuss and expand upon many of the same topics we covered yesterday.

The FTB relies upon these working relationships to make future tax seasons a success. So thanks to those who take the time to share their opinions with us, and thanks to FTB staff for staying open and accessible.

And thank you, Yvette, for being here yesterday as well.

ACTING CHAIRPERSON STOWERS: It was a great meeting.

MEMBER MA: Who are the 19 members on your advisory board, and how are they chosen, for what term? And if someone is interested in joining next year, what is the process?

EXECUTIVE OFFICER STANISLAUS: So it's a very dynamic board, and we welcome their opinions. So we have two from academia. We have Joe Bankman from Stanford; and we have Kitty Wright from Golden Gate University; we have Spidell on our board; we also have CalTax on our board; we also have Senate and Assembly Taxation; we also have members from Hewlett Packard; we also have members from Apple; then you also have members that represent CPAs, enrolled agents; and also we have members representing Council on State Taxation, COST; and then we also have Margaret Dunn who represents California Tax Education Council.

So I select the board members, of course with my input from my staff. So we have 18 to 20 members and this year we have 19 members.

MEMBER MA: And they serve normally one year?

EXECUTIVE OFFICER STANISLAUS: No. Three years.

MEMBER MA: Three years.

EXECUTIVE OFFICER STANISLAUS: But we have some lifers as well.

(Laughter.)

MEMBER MA: Okay. Thank you.

ACTING CHAIRPERSON STOWERS: Okay. Item 8 is Board Member Time. Comments, questions, observations?

Okay, then, at this time the board is going into closed session. I would ask that the audience will stay seated while we exit. About five minutes.

(Break taken in proceedings from 2:19 p.m. to 2:39 p.m.)

ACTING CHAIRPERSON STOWERS: The board met in closed session and discussed pending litigation. We are adjourned.

(Proceedings concluded at 2:39 p.m.)

---o0o---

Page break

CERTIFICATE OF REPORTER

I, KATHRYN S. SWANK, a Certified Shorthand Reporter of the State of California, do hereby certify:

That I am a disinterested person herein; that the foregoing proceedings was reported in shorthand by me, Kathryn S. Swank, a Certified Shorthand Reporter of the State of California, and thereafter transcribed into typewriting.

I further certify that I am not of counsel or attorney for any of the parties to said proceedings nor in any way interested in the outcome of said proceedings.

IN WITNESS WHEREOF, I have hereunto set my hand this 21st day of September 2016.

KATHRYN S. SWANK, CSR

Certified Shorthand Reporter

License No. 13061