

STATE OF CALIFORNIA  
FRANCHISE TAX BOARD

PUBLIC MEETING

TUESDAY, SEPTEMBER 22, 2015  
GERALD GOLDBERG AUDITORIUM  
9646 BUTTERFIELD WAY  
SACRAMENTO, CALIFORNIA

REPORTED BY:

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## APPEARANCES

### BOARD MEMBERS:

BETTY YEE  
JEROME E. HORTON  
ERAINA ORTEGA  
YVETTE STOWERS

### STAFF:

SELVI STANISLAUS, EXECUTIVE OFFICER  
DAWN CASEY, BOARD LIAISON  
MARCO ESQUIVEL  
MIMI FITZSIMON  
JENNIFER FOWLER  
GAIL HALL  
JEANNE HARRIMAN  
MARIAN MCKENNA  
ANNE MILLER  
ROBERT MORENO  
MONICA TREFZ

### COUNSEL:

JOZEL L. BRUNETT  
BRUCE LANGSTON

SACRAMENTO, CALIFORNIA  
TUESDAY, SEPTEMBER 22, 2015, 1:30 P.M.

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CHAIRPERSON YEE: Good afternoon. This is the scheduled time for the meeting of the Franchise Tax Board.

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

BOARD LIAISON CASEY: Member Horton?

MEMBER HORTON: Present.

BOARD LIAISON CASEY: Member Ortega?

MEMBER ORTEGA: Here.

BOARD LIAISON CASEY: Chair, Controller Betty Yee?

CHAIRPERSON YEE: Here.

At least two members or their designated representatives being present, there is a quorum and the Franchise Tax Board is now in session. The public has a right to comment on each agenda item. If there are any members of the public wishing to speak on an item, please come forward when that item is called and you will have three minutes to address the board.

The first item, Members, is approval of the minutes. We have the minutes before us of the July 21st, 2015, board meeting.

MEMBER HORTON: Move approval of the minutes.

CHAIRPERSON YEE: Moved by Member Horton.

(No audible second)

CHAIRPERSON YEE: Seconded by Member Ortega.

Without objection, the minutes of the July 21st, 2015, board meeting are approved.

Item 2 is a presentation on the 2014 Supervisory Bonus and 2015 Superior Accomplishment Award recipients. We have Robert Moreno who will present this item. This is an informational item, Members. It's a PowerPoint. So we get to sit in the chairs by the stage -- (Applause) -- so the screen can come down and we can view the PowerPoint. We will convene to the other table.

Good afternoon. Mr. Moreno.

MR. MORENO: Thank you, Madam Chair and Members of the Board. Good afternoon. My name is Robert Moreno, and I'm the manager responsible for administering the department's award programs. This is my third time coming before the board to publicly acknowledge the award recipients from the past year. FTB has been recognizing staff for their superior performance through the Superior Accomplishment Award Program and Supervisory Bonus Award Program for the past 29 years. As you know -- but I will repeat it for the benefit of our audience -- this is a statewide program administered by Cal HR that recognizes individuals and teams for the superior performance and contributions to the efficiency and cost savings to state government.

These award programs directly support the Strong Organization goal as laid out in FTB's strategic plan. This past year, we recognized 38 individuals and 13 teams through the Superior Accomplishment Award Program and 14 supervisors through the Supervisory Bonus Award Program.

We hold award ceremonies in July for staff and, again, in October for supervisors. These are very special ceremonies, not only for the recipients but also for the department. These recipients are a great example of the department's dedicated, talented, and creative workforce, and one of the key reasons FTB continues to stay on the cutting edge of innovation.

I would like to share a statement that Selvi made in the past to award recipients: She said, "You're the cream of the cream of the crop." And I believe that just sums up how special these recipients and

their accomplishments are to this department, especially when you take into account that there are over 6200 employees at FTB who are eligible to receive this award, yet only 167 recipients were chosen. That's about 2 percent of FTB's workforce, so, recipients, definitely an achievement to be proud of.

In a few moments I'm going to show you a slideshow of our award recipients. But first I would like to set the stage by sharing what the atmosphere is like on the day of the ceremony. This auditorium is at capacity and filled with excitement. During the ceremony, you can see family members sitting proudly in the front rows, waiting for their family members' names to be announced. And to make this event even more special, Selvi always makes it a point to get here early, talk with recipients and meet their family members, and introduce their family members to the audience, making it a memorable event for all.

Coworkers cheer loudly as their peers walk across the stage to receive their award. And we also set up video conferencing with our field offices so they can be part of our ceremony. When we have recipients from our field offices, we have a ceremony at the field office and stream it live here, on the screen, so we can be part of their ceremony. Our goal is to make this an exciting and proud moment for recipients regardless of their locations.

So now you have an idea of the atmosphere on the day of the ceremony. Let us meet the recipients of the 2014 Supervisory Bonus Award and 2015 Superior Accomplishment Award Programs.

Once again, I have prepared a slideshow with photos of the recipients and short descriptions of their accomplishments. All of the accomplishments support one or more of our strategic goals and they are organized by the goal they supported the most.

So without further ado, please sit back, relax, and I hope you enjoy this year's slideshow.

(Slideshow presentation)

(Applause)

MR. MORENO: I hope you enjoyed the slideshow. I have to say that having the board once again entertain this presentation in a board meeting just makes this award that much more special. Okay. So the background on the last slide in this picture is a hallway where the photos of the recipients are displayed, and they will remain there until next year's recipients are awarded. So any time you are here visiting FTB, come on by the first floor of the Sacramento building. But wait. Today you don't have to walk that far. We have several of the recipients sitting proudly in the audience. And, at this point, I would like to turn it over to Madam Chair.

CHAIRPERSON YEE: Thank you, Robert. And thank you, always, to -- just the great work and the contributions of all of our award recipients. We would like now to have all of the recipients who are here in the audience to please stand and receive your acknowledgment, but, more importantly, our thanks.

(Applause)

CHAIRPERSON YEE: I think it goes without saying that, truly, our greatest asset here at the Franchise Tax Board are those of -- not just those who stood before us, as recipients, but all of our workforce here at the board. Thank you, thank you very much.

Members, any comments?

Mr. Horton.

MEMBER HORTON: Thank you, Madam Chair.

Let me just echo that it's always gratifying to see ordinary people do exceptional things. You know, we hear about that all over the world and we sort of take it for granted that the heroes are those who are recorded and documented in the books somewhere, but more often than not, the heroes are the ones who are documented in our hearts, those who make a difference to us personally, those who

make a difference to people of the state of California. And each of you have done that in your own special way, and so we are extremely appreciative of that.

You know, they say superior players can win -- help you win the game. But it is the entire team that takes you to the championship. So, all the champions here, thank you so very much for all that you do.

MR. MORENO: Thank you.

(Applause)

CHAIRPERSON YEE: Thank you.

Our next item is Item Number 3, also a PowerPoint presentation relating to Operational Update and Action Committee Update. We have two subitems, which will be presented together, and the presenters are Jennifer Fowler and Monica Trefz.

Good afternoon.

MS. FOWLER: Good afternoon, Madam Chair, Board Members. My name is Jennifer Fowler and I'm the co-chair of the Internal Business Action Committee.

MS. TREFZ: And I am Monica Trefz. I co-chair the Tax Gap Action Committee.

MS. FOWLER: Today Monica and I want to give you a quick overview of the governance structure that helps us with our strategic goals and objectives. At the top of the slide you will see two boxes: The first box is Selvi Stanislaus; and the second is the Franchise Tax Board Governance Council. The council includes Selvi, six division chiefs, and our chief counsel.

In the slim line below the boxes, you will see a few acronyms. Each box represents a specific action committee. You will see from the arrows coming down from each one of the action committees, the area of the strategic plan they represent. The action committees align with either one of our four goals or one of our foundational principles that is at the core of what we do here at Franchise Tax Board.

These action committees are made up of senior level managers and they tackle the strategic and foundational issues that are assigned to them. They keep the governance council informed of decisions and send fully vetted recommendations to the council, depending on the sensitivity of the issue.

This brings the Governance Council to tackle more global issues and allow senior managers to contribute their expertise while they gain experience with executive level decision making.

Monica and I will give you a brief overview of each committee, highlight a recent success, and then talk a little bit about the area that each group will be working on, moving forward.

MS. TREFZ: Our first committee is the Customer Service Action Committee. They are all about taxpayer-centric services. They exist to improve our customer service and address any problems that may degrade that service.

A perfect example to highlight their efforts was the successful implementation of FTB's Live Chat web application. The customer reviews have been extremely positive. And last year, we were able to take care of over 141,000 customers through this web app alone. Moving forward, this committee has a lot to look forward to. For now, I will just share three examples of what they are working on: First, you are all very familiar with California's recently enacted Earned Income Tax Credit. From our perspective, implementing a new credit like this is a good sized project in itself. Add to that, that outreach efforts currently underway with over three dozen strategic partners, and it becomes quite an undertaking.

The outreach team includes membership from this committee, since they understand the taxpayer centric channels' need to be updated to make sure that this credit is complied with.

You are also familiar with the second item, which are enhancements to MyFTB that we plan to release

on January 4th. The action committee helps oversee the efforts to ensure that every aspect of our service structure is updated and informed for our much anticipated launch.

Thirdly, this committee is looking forward to the benefits of overhauling one of our most issued tax notices when we launch our new Notice of Tax Return Change. This is the first notice you receive from Franchise Tax Board letting you know that we made a change to the return for issues like (inaudible -- audience noise). The old form was less clear and may have resulted in a phone call to understand the change. With the new design and revised contents, taxpayers and practitioners should have a much easier time understanding the adjustments we made to the return.

MS. FOWLER: The second committee -- this is the committee that I co-chair -- is the Internal Business Action Committee. This action committee is all about streamlined processes and gaining efficiencies. We exist to oversee enterprise reengineering efforts and how those efforts impact end-to-end processing. I'd like to highlight for you that 90 percent of all of our incoming paper is now imaged at FTB. In order to gain efficiency, FTB now images more than 90 million pages of returns, payments, and correspondence, moving the organization to a more digital environment.

This helps the department to associate more than 1 million pieces of correspondence to taxpayers' accounts, so that, if contacted, the information is readily available. It also helps with our storage as well.

We have immediate access to a hundred percent of the returns in processing and compliance activities. Moving forward, we will implement business process management. This is a discipline involving any combination of modeling, measuring, and automating business process flows. It is a systematic approach of making organizational work goals more efficient and more effective and easier to adapt to change.

With oversight from the Internal Business Action Committee, we are implementing this process as an industry best practice to optimize our processes here at the department and mitigate any mistakes.

MS. TREFZ: The Organizational Development Action Committee is all about our people and our organizational health. By addressing our human resource issues, like recruiting and retention at an enterprise level, we are able to be more consistent in our practices. This also helps us create a corporate culture where our employees know that they are valued.

A great example of how seriously this action committee takes its responsibilities of caring for our people is the fact that they undertook a huge endeavor last year to create an enterprise talent management strategy. By aligning the management of our talent with our organizational strategies and business needs, we now have a -- they provided us with a blueprint for optimizing our employee development and performance.

So, moving forward, they will be -- they will start implementing various pieces of this strategy. Some of the top issues garnering their attention first will be broadening our recruitment rate -- our approach to recruiting and increasing the use of staffing data and environmental scans to better predict our future staffing needs. They will also focus on the needs of our future workers by implementing a wireless technology plan that will allow our staff to work how, where, and when we need them.

MS. FOWLER: Next up is Privacy and Security Action Committee. Protecting taxpayer information is our paramount concern. For us, privacy and security of taxpayer information is not a goal to be achieved or moved from, but it is foundational to all the decisions that we make here at the department. Therefore, the Privacy and Security Action Committee is all about securing our data, our workplace, and maintaining taxpayer privacy. Regardless of the activities taking place across the organization, privacy and security issues are considered and addressed properly and consistently. I would like to highlight for you, information security metrics. As you can imagine, keeping our

information secure is a 24/7, 365-day activity. Last year, the action committee solidified privacy and security metrics to help us make more appropriate business decisions regarding the security of our information.

This includes things like benchmarking against industry averages to help determine if we are making the right investment in our security, plus reviewing metrics for the total number of viruses detected and cleaned each month to measure the state of our security tools.

Moving forward, the action committee will focus on implementing the first phase of our security roadmap. The roadmap allows our security infrastructure to be responsive to the growing needs of our business area, and what this means is that, as to business area endeavors -- the security will keep pace with the innovations.

MS. TREFZ: Our Resource Allocation Action Committee is responsible for managing our department's budget and ensuring that we apply the most economical approach when we manage all of our resources. To do this, they consider the entire enterprise when determining the most significant priorities for purchasing, financing, and allocating resources across the enterprise. This means that while a single business area may still manage and plan for their resources, they must first weigh their needs against the priorities of the department through this committee.

A highlight of this committee's efforts, beyond the fact that they fully utilize our budget to maximize our resources, is that they put tools in place to help us plan for resources beyond our operational year. This allows us to be more strategic in managing our resources, whether it is for IT facilities or our workloads.

Because we want to be good stewards of the resources entrusted to us, we need to be able to explain what we have and what we need. So, moving forward, this committee has begun a holistic review of the department's resource priorities. This began in July of this year and looks to be completed in December of next year. Within this analysis we are using a zero-based budgeting approach that utilizes metrics to optimize the use of our resources.

An example of this is, it will allow us to review the recent resource changes related to the e Earned Income Tax Credit program to make sure that we're using those resources efficiently.

MS. FOWLER: Monica, I know it's my turn, but do you want to continue?

MS. TREFZ: Yes. Thank you very much.

This next committee is near and dear to my heart, and I would love to tell you more about it.

So although the vast majority of taxpayers voluntarily comply with their tax obligations, some do not file, do not file correctly, or do not pay their taxes, which creates California's income tax gap. The Tax Gap Action Committee is focused on this group of taxpayers. The committee ensures our enforcement and our outreach activities that occur across the enterprise are done with fairness, awareness, and a consistent application of the law.

One of the benefits of having an action committee focused on the tax gap is that it better equips us to address compliance issues as a whole department. A good example of this is the work we've done to reduce the payment of fraudulent refunds. It was by this committee's oversight that we were able to implement new techniques and processes to prevent issuing fraudulent refunds to thieves. We are proud of the fact that we were able to stop \$28 million in fraudulent refunds last year.

So, moving forward, the Tax Gap Action Committee will continue to partner with our sister agencies on new leads, new issues, and addressing the underground economy. We plan to focus on a variety of efforts to better utilize our data to improve our modeling capabilities in taxpayer compliance. One of the biggest improvements in this area will be the full implementation of the new return analysis process. This is the result of our EDR project and will become our new goal validating taxpayer returns for accuracy and improving our ability to detect fraud.

MS. FOWLER: Finally, as the name suggests, the Technology Action Committee is all about managing technology that impacts every aspect of what we do here at Franchise Tax Board. Activities like providing services to taxpayers, automating processes, collecting payments, and even training our staff. FTB uses technology extensively to conduct our business. With 100 million dollars dedicated to IT access and software, it is extremely important to us that we manage our IT infrastructure as securely and as effectively as possible. This responsibility lies with the Technology Action Committee. As you might imagine, our highlight is the Enterprise Data to Revenue Project. Moving forward, we will finish EDR strong. We are always looking to solve business problems where technology and, as you are well aware, the implementation of the EDR project has been their focus for the last few years, and moving forward, the action committee will be at the helm to complete the EDR project.

MS. TREFZ: In conclusion, thank you for letting us talk to you today about FTB's governance model. We want you to know that the impact of the structure has been enormously helpful for our entire department. It has helped us break down the silos and promote thinking of the organization as a whole. It has also increased the level of engagement among senior managers across organizational lines as we've learned to appreciate how our actions and decisions impact the whole enterprise. And lastly, or finally, these committees hold us accountable to the standards of excellence of tax administration as it's laid out in our strategic plan.

And now we would be happy to answer any questions you may have.

CHAIRPERSON YEE: Thank you, Jennifer and Monica.

It's clear that these committees have been working very hard. We really appreciate the update particularly on the successes that we've seen to date and, obviously, much more to come.

Comments or questions, members?

Mr. Horton.

MEMBER HORTON: You can now take a deep breath.

(Applause)

MS. TREFZ: Thank you.

CHAIRPERSON YEE: Thank you, both, very much.

Members moving to Item Number 4. It's another update on the protest and corporate claims workload. And we will have a PowerPoint presented by Jozel Brunett, Mimi Fitzsimon, and Marian McKenna. Good afternoon.

CHIEF COUNSEL BRUNETT: Good afternoon, Chairwoman Yee and Board Members. I am Jozel Brunett, the FTB chief counsel. And presenting with me today are Mimi Fitzsimon and Marian McKenna from the audit division.

Mimi and I will be updating you on the progress of our protest backlog reduction efforts in Legal and Audit. And then Marian will be updating you on the audit claims -- corporate claims workload. As you may know, protests that are handled by the legal division are called docketed protests. Protests handled by Audit are called undocketed protests. And Legal will typically docket protests that are more complex, involve larger dollars, issues of first impression, and tax shelters.

Two of FTB's strategic goals impact the handling of our protests and claims workload: Customer Service and Effective Enforcement. One of the strategies of our customer service goal is to improve our response times to taxpayers and the representatives. A related effective enforcement strategy is to increase the timeliness and effectiveness of our enforcement actions.

We are pleased to report today that we have made excellent progress over the past year in furtherance of these strategies. The chart on this next slide shows the total Legal protest inventory at the start of the 14/15 fiscal year of 546 cases. As in the prior year, Legal decided to focus our attention on our oldest cases. The middle number on the chart shows it began the year with 238 of

our cases that were over 36 months.

Moving to the next slide, we began with the goal in mind. The Legal Management Team met to consider what our target closure goal would be for 14/15. We considered the stage of our cases, staff workloads, and available resources. We targeted to close between 40 to 50 percent of our oldest cases.

This next slide details the various actions we took to meet this goal. Beginning in July 2014 we started the hiring of 14 new attorneys, receiving these positions in the governor's May revise budget. And thank you, again, to your board for your support in receiving those positions. I'm happy to report that they have all been filled and we have spent the past year training these attorneys. We have assigned them newer protests to work, freeing up time for our more experienced staff to work on our older cases.

Thanks to Audit, we received a loan of three program specialist staff to assist us in handling our legal protest cases. Audit was also gracious enough to permanently redirect two support staff to us so that we could streamline the closure process for our protest cases. Of course, we continue to collaborate very closely with Audit. We involve our attorneys early in the audit process so that we can minimize the number of and size of disputes that lead to protests. We also have increased our communication with taxpayers and representatives throughout the process.

This next slide showcases the results for this year, thanks to the hard work of our staff. I direct your attention to the number 108, which represents legal staff successfully closing 45 percent of our oldest cases, right in the middle of our goal. In addition, this chart shows that we closed 45 cases that were aged under 36 months, for a total closure for the past year of 153. We're very pleased to report that for the second consecutive year that we have met our goal.

Turning to the current 15/16 year, I direct your attention first to the top graph on this slide. The opening total inventory for this year is 487 cases, with the most aged of those cases numbering 198 shown in the middle of the chart. This shows the continued downward trend of our protest inventory in legal. The bottom chart represents our goal for this year. This year we will be focusing our attention on the oldest workable cases.

As you know, sometimes cases are not workable because we have a bankruptcy, a pending litigation, or a BOE lead appeal case that we're holding for, so we are, again, looking at our workable cases. We have 178 of those for this year, and our goal is to close between 45 to 50 percent of those cases.

This year we're also continuing to train and develop our new attorneys which will enhance their productivity in the years to come. We're also continuing to collaborate very closely with audit in case development as well as training. And last but not least, we're continuing to facilitate communication with taxpayers and representatives throughout the process to improve timeliness.

This completes my report on the Legal Division's progress in reducing our backlog for this year. And at this time, unless your board has any questions, I would like to turn it over to Mimi, who will update you on the excellent progress that audit is similarly making with their protests.

CHAIRPERSON YEE: Thanks, Jozel.

Questions or comments, Members?

Please, we'll hear the update on the undocketed protests.

Good afternoon.

MS. FITZSIMON: Good afternoon. I'm Mimi Fitzsimon, manager of the Audit Division Protest Section, and I will be updating you on the progress of the undocketed protest backlog reduction efforts.

Similar to legal, we have made great strides in addressing our customer service and effective enforcement strategic goals by focusing on our aged cases and reducing our backlog. The table in this slide provides a snapshot of our total inventory at the beginning of the 14/15 fiscal year.

As you can see, there was a total of 744 protest cases in our undocketed inventory, of which 151 was aged greater than 24 months, with 94 of those aged cases being workable.

To address the status of the inventory, the Audit Protest Managers Team developed a plan to target those aged cases and manage the inflow of new cases, which has created the backlog.

We identified three goals to address the backlog. As listed in this slide, we targeted for resolution our workable aged cases greater than 24 months; stayed committed to closing 469 undocketed protest cases; and worked to reduce our overall inventory by 24 percent.

To accomplish these goals, we addressed our resource needs by adding limited term staff of 11 hearing officers and two leads. The additional resources allowed us to assign more cases earlier and reduce the backlog. We provided additional training and development to enhance the staff's expertise and work with our FTB's attorneys and put into action our best practices for better communication. These actions have led to the resolution of more protest cases.

The table in this slide highlights our year-end results of two of our goals: The first goal represents the goal to target the aged workable cases, which you may recall there was 94; the next row represents the closing of 469 cases. As you can see from the table right below -- these were our results -- we closed 81 of those 94 workable cases aged over 24 months and we closed a total of 528 undocketed protest cases exceeding our target goal of the 469. This was made possible by the hard work and commitment of our staff to achieve our goals.

This last slide provides a breakdown of our beginning inventory for this 15/16 fiscal year. As you can see from the first row, approximately 80 percent of our inventory is less than 24 months. We have 116 cases aged greater than 24 months, which is a 24 percent reduction from the prior year.

But I want to direct your attention to the total inventory. Our total inventory is 563 cases, so of particular significance here is the fact that we met our third goal too. We reduced the total inventory, which is a 24 percent reduction from the prior year.

Now I realize, we have provided you with various statistics on the progress of our inventory. So, I would like to sum it up as follows. This is the second year in a row, after a decade of growing and aging inventory, that we have made an overall 22 percent reduction to the docketed and undocketed protest inventory. And Joziel and I and our respective management teams are very proud of what our staffs have accomplished these past two years. They have done a phenomenal job of achieving and/or exceeding our goals.

Going forward, our goal is to continue this positive trend and ensure our taxpayers have a good experience during the resolution of their protest case.

Do you have any questions for me?

CHAIRPERSON YEE: Questions or comments?

MEMBER HORTON: Congratulations.

MS. FITZSIMON: Thank you.

I will now turn it over to Marian McKenna, and she will update you on the corporate claims workload.

MS. McKENNA: Good afternoon. My name is Marian McKenna, and I'm the bureau director of the National Business Audit Bureau. My portion of today's presentation is an update on the corporate claims workload. During the February 2015 audit and claims roundtable discussions, taxpayers and representatives shared their experiences with us regarding the corporate claim timeframes and communication. The improvement ideas we received during the roundtable discussions were very helpful for us in streamlining our processes and enhancing our communication.

I want to thank you for your continued support during the roundtables. It was very much appreciated. I would like to provide some information on the most recent steps we've taken to improve our audit referral process, audit timelines, and communication and transparency in this area.

The past year, we've analyzed the steps for referring a corporate amended return claim for audit consideration. We made improvements by changing the processes from paper to electronic. This reduced the referral time from months to just a few weeks. In addition, we refined our audit referral criteria to refund additional claims prior to audit review. The result of both of these efforts: We are seeing a trend of fewer apportioning corporation claims being retained for audit up front.

Last year, over 70 percent of our corporate claims were refunded before audit consideration. Since many of these changes were just recently implemented, we expect to see this continued trend in the upcoming months.

In addition, we're watching the number of claims we receive as well. The volume of our corporate claims increased this past year due to the NOL carryback provision. We recently received over 1,500 corporation amended returns claiming an NOL carryback. The majority of these claims were filed by smaller corporations, most of which we refunded before audit consideration. We're continuing to monitor the trend in this area.

Next I would like to share some statistics regarding our current audit inventory of corporate claims. On average it takes us about 18 months to verify a corporate claim for refund once an audit examination has begun. A top priority for us this past year, and continues today, is to reduce the volume of our aging audit cases, including those cases with claims for refund. Our audit managers and supervisors worked very closely with staff to troubleshoot and streamline the closing of aging cases. As of June 30th, 2015, we closed 75 percent of the corporate audit cases that were over three years old at the beginning of the fiscal year.

And currently, 80 percent of our corporate audit cases are less than two years old. We are keeping a watchful eye on the audit plans associated with all cases to prevent an increase in our aging inventory. As a result of improvements to the referral process, and our focus on aging cases, our audit inventory of corporate claims has declined 20 percent in the past year.

Moving on to our efforts in the communication and transparency areas, during the roundtables, we were asked for better communication and transparency during the audit and claims process. We have implemented a few immediate items and are working on a few other efforts. For example, during the roundtable discussions, we shared a flowchart of the former amended return claim process. The attendees were unaware of the process -- the steps involved, so we placed a link of the flowchart on FTB's public Web site to be more transparent with our processes.

Also, roundtable attendees shared that they did not always know who to call to resolve procedural issues during the claim audit process.

Since February, all auditors have been manually including the supervisor and manager contact information on key correspondence, and then, in July we updated some of our most frequently used audit documents to automatically populate the manager and supervisor information. So we're hoping now that taxpayers and representatives will more easily know whom to contact with questions and be able to resolve items at the lowest level.

Lastly, we were asked to communicate as the claim progressed through FTB's processes so taxpayers could better estimate when they will receive their refund. We have identified that a key decision point in the claim process is whether a claim will be referred to audit, and we feel this is a good notification point. We are currently developing acknowledgment letters and the necessary mail processes to notify taxpayers whether a corporation amended return claim is referred to audit or not. We plan to start mailing these acknowledgment letters next month.

I'm happy to say, we've taken some important steps in addressing the corporate claim time frames and a communication item shared with us during the roundtables. We will continue to monitor this area, consider additional improvements, and share information with taxpayers and their

representatives as we implement other initiatives.

So that concludes my update on the corporate claim workload. At this time I would be happy to take any questions you may have.

CHAIRPERSON YEE: Thank you very much for the presentation of the updates. I believe I speak for my colleagues, when I say, wow. Excellent job done, both on the Legal staff and our Audit staff. And I just want to commend you for the engagement, particularly in the corporate claims area, with our corporate community. I think the enhanced communication really has facilitated the processes that we had in place now, that will certainly work towards, hopefully, a more timely resolution. And just really, the smart direction of resources that were provided, it is just excellent work. Excellent work. Thank you.

Mr. Horton?

Thank you very much. Okay. I think that concludes our PowerPoint items. Item Number 5 is the legislative update, and we will reconvene at the dais.

Members we're on Item Number 5. This is the legislative update and this is an informational item that will be presented by Gail Hall. Good afternoon, Gail.

MS. HALL: Madam Chair, Members. I am Gail Hall, the director of the Legislative Services Bureau. I am very happy to report that the first year of the 2015/16 legislative session has ended.

(Laughter)

MS. HALL: Thirty-one bills that directly impact the department have been sent to the governor for signature or veto. Ten bills have been signed into law, and 21 bills are still pending.

Today I will discuss several bills that have been enacted into law and several bills that are still pending before this governor.

As you are aware, SB 80 was enacted in June 2015 and creates the first California Earned Income Tax Credit. It's operative for tax year 2015 and for returns being filed in January 2016. The credit is based on W-2 wages and excludes self-employment income. We have posted on our website information about the California Earned Income Tax Credit that is very helpful. If you simply go into our Website and type in "earned income tax credit," the Web page will come up.

SB 540 is our department legislative proposal, and it's still pending. It would make our Taxpayer Advocate Relief Program permanent. The Taxpayer Advocate, in coordination with the Chief Counsel, could provide taxpayer relief from penalties, interest, and fees that occur due to a department error. The Assembly Policy Committee revised our proposal by adding a \$10,000 per-taxpayer, per-year limitation on the amount of relief that could be granted. This bill has received unanimous support in the Senate and the Assembly.

AB 154 is the conformity bill, and it is pending. It changes the specified date of conformity to federal income tax laws from January 1st, 2009, to January 1st, 2015. The last conformity bill was SB 401, five years ago. This bill involved great teamwork. FTB provided the technical expertise; author Ting and his assembly member team authored the bill and collaborated with stakeholders, including Cal Tax, on the policy decisions. This bill includes a provision that would allow a taxpayer expecting a carryback in the NOL to delay the payment of tax in a previous year. This bill also provides additional exceptions to the large corporate understatement penalty.

AB 437 is pending. It establishes a research and development small business cash grant program. It provides a one-time grant of 10 percent of a research credit carryover attributable to tax year 2015 and 2016. It also provides an annual grant equal to 15 percent of a research credit carryover, attributable to a tax year beginning on or after January 1st, 2017. Now, small business is defined as gross receipts of less than 5 million, not a member of a combined report, is a corporation, partnership, limited partnership, or limited liability company, and was in existence and filed income tax returns for

the two taxable years preceding the taxable year that the taxpayer applies for the grant. Now, the grant request must be made on a timely filed original return, and the Franchise Tax Board has 90 days to issue the taxpayer a certificate with the amount of the grant. And then the Controller's office sends the payment to the taxpayer. The grant program is capped at 50 million per year. SB 35 has been chaptered into law. It provides automatic disaster loss treatment for disasters declared by the Governor in a state of emergency. Before, unless the President made a declaration, a bill would need to be introduced and enacted before a taxpayer could receive this treatment. This is operative for tax years beginning on or after January 1st, 2014 and before January 1st, 2024. SB 81 has been chaptered into law. It modifies the existing laws, college access credit. The college access credit allows a taxpayer to make a contribution to the college access tax credit fund and receive a tax credit. The credit is equal to 50 percent of the contribution for tax years 2016 and 55 percent of the contribution for tax year 2015. Now, this bill will extend the credit to tax year 2017. And in 2017, a taxpayer will get 50 percent of -- this will get a credit for 50 percent of their contribution to this fund. AB 99 is still pending. It's a mortgage debt relief bill. It would allow a taxpayer to exclude cancellation of mortgage debt from income. It would apply to debt discharges that occurred in 2014. The department has received numerous calls from taxpayers asking what the status of this legislation is. And lastly, SB 150 is the Student Loan Forgiveness Debt Relief Bill, and it's still pending. Students who have student loans forgiven as a result of the closure of the Corinthian Colleges and similar closures may exclude the cancellation of debt from their income. This would be operative for discharges that occur on or after January 1st, 2015, and before January 1st, 2020. The governor has until October 11 to sign or veto these pending bills. And I would be happy to answer any questions you may have.

CHAIRPERSON YEE: Thank you, Gail.

Questions or comments?

Mr. Horton.

MEMBER HORTON: Thank you, Madam Chair.

I just want to commend you, Gail, for the work that you have done. The legislature really stepped up the pace, and we truly appreciate that. Particularly, the legislation providing the tax credit to college students, I think that's very, very important. One of the largest debts that exist in our society is college loans. I don't know if I paid mine off yet. I'm certainly working on it.

And then the mortgage debt to relief bills, I think is important. We want to encourage the governor to sign that.

I wanted to also encourage us -- well, first, I want to thank you for the collaborative, proactive engagement of the Franchise Tax Board. I mean, it's indicative of not only your skills of this organization but, more so, the compassion of this organization, the desire to actually make it happen, and particularly with the California earned income tax credit. I think it's very, very important that we do all that we can, to continue to do what you are doing now in order to make sure that individuals who need this money the most have an opportunity to claim it. It's going to be a real challenge. Some of the thresholds that have been established is reflective of those who traditionally don't file their tax returns. And so I'm of a mind that this is going to be hand-to-hand combat. And so I encourage the utilization of elected officials and their district and their area to reach out to those individuals and assist them in complying.

I know we are. I commend Chairwoman Yee for her efforts over the years and her commitment to this.

And so as we reach out to various different elected officials, I think they are prepared to collaborate

with us, to work, to try to make sure this is a success. And so I lend my support to that as well, to whatever extent that I can.

Thank you very much.

CHAIRPERSON YEE: Thank you, Mr. Horton.

Other questions or comments?

Let me just also add, Gail, thank you to your team and the legislative division. I know these legislative sessions are quite stressful. And just the professionalism and -- I agree with Mr. Horton -- the proactiveness. Certainly the tremendous technical assistance that you have lent to the legislature, to the executive branch, to the governor's office, finance. Really, many of these measures could not have moved without the assistance that was provided by you and your team.

I also just want to take a moment because of the bill, SB 35 -- that is the automatic disaster relief -- to just take a moment to extend our heartfelt compassion and certainly our best thoughts and prayers to the families and communities affected by the wildfires throughout California, particularly right here in the foothills, as well as in the Lake County, Napa, and Sonoma Counties.

Thank you very much.

MS. HALL: Thank you.

CHAIRPERSON YEE: Thank you, Gail.

Our next item, Members, is Item Number 6. It's our administrative matters relating to the 2016/2017 proposed budget change proposals. They include four subitems.

We have Jeanne Harriman and Marco Esquivel who will be presenting these action items. And I believe Ms. Ortega you will be refraining from participating.

Thank you. Good afternoon.

MS. HARRIMAN: Good afternoon, Madam Chair and Board members.

I'm Jeanne Harriman, Franchise Tax Board. The item we'll be presenting today is the budget change proposals for the 2016/17 year. Marco Esquivel, sitting next to me, will be presenting two of the BCPs and I will be presenting the other two.

So jumping into the first one, it is on the Enterprise Data to Revenue project. You are very familiar with this one. We are in the final year of the project, and this BCP is requesting resources for that final year as well as ongoing costs. At this time the EDR project is on schedule and exceeding revenue projections. As of August 31st, projected revenues are actually at 113 million for the year, off to a great start. Looking at the aggregate revenue since project inception, project revenues are 1.9 billion. In addition to the revenue generated, FTB has successfully and timely delivered eight of the nine deliverables, with the final deliverable scheduled for final implementation on December 31st of this year.

The BCP requests 268 positions at 72 million funding for 16/17 and 65 million funding for 2017/18. Of these amounts, 53.3 million and 27 million are for payments to the EDR vendor.

Additional key components of the BCP include requesting an ongoing augmentation for costs in order to maintain and operate the EDR system. This request is for 36 million beginning in 2018/19 and ongoing, with additional amounts in various years over the next five years to assure that we are able to fund refreshes of the existing technology we'll be bringing on board.

We're also asking for additional funding levels in 16/17 and 17/18 to upgrade some hardware and software. We are requesting permanent positions for the 20 limited term technology positions we received in the 2015/16 BCP, as well as asking for additional funding to upgrade additional technology positions which are necessary to support the new technology that FTB now owns and will own shortly. Nine positions are for audit modeling and various workloads. Nine positions are also associated with general workloads of FTB, including business process management, protest work, procurement on IT

help desk, six are fraud, and the remainder are for our Filing Division associated with the filing of returns, such as processing data capture, scanning, or return analysis, as well as some customer service positions to accommodate the additional increase in calls we're expecting because of the release of MyFTB.

FTB is very excited for the opportunity the EDR project has and will continue to present to FTB, and your support over of the project over the years is greatly appreciated.

At this time I would like to turn to Marco Esquivel, who will present the next two BCPs.

MR. ESQUIVEL: Thank you.

The first BCP I will be covering is asking for board approval for our e-commerce infrastructure BCP.

This request is for \$3.5 million in 16/17 and \$1.9 million in 17/18.

This is to replace end-of-life systems. These systems that are being replaced will benefit our payment processing, our internet connectivity, and our taxpayer and data security.

The next BCP I will be covering is our Accounts Receivable Management program BCP. This BCP is to make 101 limited term positions that were granted to us in previous years and \$8.2 million to make them permanent. These positions are critical to FTB's revenue collections and the revenue associated with this BCP is approximately is \$108 million.

Now, at this time, I would be happy to answer any questions you may have.

CHAIRPERSON YEE: Thank you very much.

Actually, why don't we finish with the presentation of all of them, and we'll try to answer questions.

MS. HARRIMAN: Sure. Thank you.

So FTB's final BCP requests resources for positions to address the tax gap and underground economy.

FTB's request is for six audit positions and seven investigation positions in 16/17 and an additional seven investigator positions in 17/18.

The audit positions will address noncompliance issues primarily involving federal and state differences.

The investigator positions are intended to allow FTB to address additional taxpayers operated in the underground economy. In March of 2013, the Little Hoover Commission issued a report on California's efforts to address the underground economy. With no surprises to us in our sister tax agencies who have been combating the underground economy for quite a while, the report noted substantial areas of concern where enforcement is lacking and leading to an unchecked growth in the underground economy which is not only in the state, but as well as taxpayers who do their best to comply with the tax laws.

These additional resources will allow FTB to continue our efforts to address the underground economy as well as allowance to continue to participate on various tax forces, including the Tax Recovery and Criminal Enforcement Tax Force, which is near and dear to Board Member Horton's heart.

FTB is requesting your approval of these four BCPs. However, before requesting your vote on these proposals, I did wish to address a BCP that was included on the July board material which is not submitted as a final BCP for your approval. This BCP is related to resources for our customer service channels.

FTB strongly believes existing service levels in response times in FTB's customer service channels are unacceptable. However, FTB does acknowledge that those customer service channels continue to be in a state of flux with the introduction of new workloads, such as the earned income tax credit and MyFTB.

Consistent with the desires of our overseers, over the coming months, FTB will work closely with our external partners to ensure an understanding of our need as well as allowing for observation and understanding of these fluctuations resulting from the implementation of these new workloads.

At the conclusion of these discussions, FTB does intend to move forward with the future request for resources for the 2016/17 year as appropriate. At this time, these four BCPs are presented for your approval, and Marco and I are available to answer any questions you have.

CHAIRPERSON YEE: Thank you, Jeanne. Thank you, Marco.

Questions or comments?

MEMBER HORTON: To the Proposal Number 4, are we taking into consideration the anticipation of the signing of the legislation on cannabis. The closer we get to codifying the regulatory process and establishing a vehicle in which individuals can safely participate in this market, the greater the underground economy from our perspective, because the difficulty of dividing the good guys from the bad guys, having that bright line test. So the more it's advertised, the more -- the closer we get to codifying this, the greater the underground economy becomes.

And so we want to encourage us to take a look at it, begin to identify what we need to do and what tools we need in order to address that, and our collaboration with other agencies as well.

Thank you very much for the EDR. Glad to see that continues to move forward and the success in that with -- I think we echo that every chance we can get. We also thank BOE for being the genesis of that conceptually, particularly at the Board of Equalization.

With that, Madam Chair, I move approval of all proposals.

CHAIRPERSON YEE: Great. We have a motion by Mr. Horton to approve all four BCPs.

I will second that motion.

Let me just add, too, that I really can't wait until we can see the robust post-implementation EDR report, because this truly has been one of the bright lights of technology in California. And I think there are a lot of lessons learned that really can benefit where California moves with technology in state government.

And with respect to the underground economy BCP, Mr. Horton, your leadership in this area, thank you for raising the cannabis issue. I think, should the legislation be signed by the governor, there will be, I think, an effort of all hands on deck with respect to the fact that agencies -- just to be sure that we are putting those measures in place.

So without objection, the four BCPs have been approved.

Thank you.

MS. HARRIMAN: Thank you, both. Thank you.

CHAIRPERSON YEE: Our next item is Item Number 7, and this is the Executive Officer's Time, and I will now turn it over to our executive officer, Selvi Stanislaus.

EXECUTIVE OFFICER STANISLAUS: Thank you, honorable Chairwoman Yee and honorable Board Members.

I have two items for my time today. First I want to discuss my favorite topic -- of course, my employees, as you know. So as you know, and more importantly, as they know, I'm very proud of all the hard work that they do at FTB.

For example, when taxpayers file with an overpayment, direct deposit gets their money back to them in days. When taxpayers file and owe, they are pay via our Web pay or credit card or Western Union or good old paper checks, which we don't like too much.

(Laughter)

EXECUTIVE OFFICER STANISLAUS: However, when taxpayers forget to file, they procrastinate, or need a gentle nudge or reminder or simply do not want to file, then our Filing Enforcement Program, or our FEP, go to work and they are very, very good as what they do.

So since the 1950s, our FE team has contacted people who earned income in California but did not file a tax return. So over the years, we've learned, one of the most common reasons for not filing is due

to a serious life changing event such as a death in the family, divorce, loss of job, or health-related issues.

So FTB employees are human too. So we can relate to these situations and keep the sensitivity in mind when we answer calls or work on our correspondence. A kind voice or a written acknowledgment of the taxpayer's difficulties makes educating taxpayers and assisting them become and remain compliant less stressful for them.

So our FE program is very, very successful. Last year we brought in over 880 million through their efforts in helping to ensure everyone pays their fair share. A few years ago, we brought in 620 million. So how did we achieve these impressive results year after year? It's very simple. It's data mining. Each year we receive and process more than 500 million income tax records or income records from banks, employers, state government, the IRS, and other third parties.

We then match these records against our accounting system to determine if there is a return on file. The data matches; that's fantastic. If it doesn't match -- so what that means is an individual has earned income but did not file a return. In the FET, they go to work. We send letters to this potential nonfiler, giving them 30 days to file a tax return or explain why one is not required.

We don't stop there. We provide more information for those receiving letters on our Web site. Using our 24/7 online services, these individuals can request more time to reply; retrieve information that can assist in filing a return; request tax forms; they can learn about payment options; they can sign up to receive an e-mail reminder to file; and they can also access our other services.

So you may be curious who the nonfilers are. So our data shows that 40 percent of our contacts are wage earners. 20 percent are self-employed individuals. 20 percent are based on 1099 information reported to us. And the remaining 20 percent comes from various sources such as taxpayers who have filed with the IRS while our records show that they have not filed with us.

So let me sort of give you one more impressive number. For fiscal year 14/15, the FE program sent over 1.6 million notices and assessments. Taxpayers filed 328,000 tax returns in response to our contacts. And also, as I said before, we added 880 million to the general fund for that fiscal year.

So moving on to my second issue, it's a quick update on FTB's outreach efforts regarding the new Earned Income Tax Credit. So I'm very happy to report that FTB has formed EITC outreach partnerships with nearly every public face in California's state department -- with the Controller's office, to the Board of Equalization, the Department of Finance, with the Governor's Office -- to build a strategic coalition that educates taxpayers about the credit with the focus on leveraging new and existing VITA centers across California.

So this coalition is focused on three areas of work: One is based on demographics; one is on communication; and one on outreach. So on the demographics front, the coalition team is nearly finished with the task of creating heat maps from a variety of data to identify down-to-the-ZIP-code level where our target audience resides.

In addition, FTB's working on identifying the list of potentially qualifying individuals who do not currently file a California tax return. This list would be used to target those individuals, and would probably be a direct campaign.

On the communications front we are working very closely with state and nonprofit partners to create an aggressive communications media plan that will run through April 15th. We will be doing a lot of outreaches in the newspaper, television, radio, and also use heavy use of social media.

And on the outreach front, FTB has begun working and discussing these issues with external parties as well as the state department's involved in the State Interagency Task Force for reducing poverty. The goal of this partnership is to create more VITA sites, recruit more VITA volunteers, and reach parts of the state previously uncovered, and prepare more returns for working taxpayers.

So as you can see, we're very excited about the outreach plan that is under development, as well as the opportunity to work with so many passionate individuals who are coming alongside the FTB to make this a huge success.

Thank you.

CHAIRPERSON YEE: Thank you, Selvi.

I think it's fair to say, we're off to a great start and just, certainly, everybody's interest in trying to make this a very, very successful filing season, particularly with respect to the state earned income tax credit.

Thank you.

At this time, we're on Item Number 8. This is Board Members' Time. Board members have any items? Mr. Horton? Okay.

I have two items. Let me just start first with just offering some congratulations to some of our recent appointments within the Franchise Tax Board: Two in our Accounts Receivable Management Division. Congratulations to Gina Purcell, now our Director of the Special Programs Bureau.

(Applause)

CHAIRPERSON YEE: Gina, please stand. Thank you.

And also to Chad Cockrum, who's our director now of Business Entity Collection Bureau-- (Applause)

And in our legal department -- and I'm just very proud of this because I've had the opportunity to work with, I believe, all three, and just some wonderful, wonderful knowledge base, and I'm very thrilled to congratulate Norm Scott, who's our Deputy Chief Counsel, Multistate and Business Entity Tax Bureau.

(Applause)

CHAIRPERSON YEE: And the ever energized Bill Hilson, Deputy Chief Counsel of our Settlement and Litigation Bureau.

(Applause)

CHAIRPERSON YEE: And congratulations to Pat Bittner, Deputy Chief Counsel of our General Tax Administration Bureau -- (Applause).

Mr. Horton.

MEMBER HORTON: Just quickly, to Pat. Pat, it's okay to smile.

(Laughter)

CHAIRPERSON YEE: And then, Members, I hope you will join me, but I have the distinct pleasure of presenting our board resolution to one who has really made such tremendous impact here at the Franchise Tax Board and that is to Anne Miller, our chief of the Filing Division here.

(Applause)

CHAIRPERSON YEE: We will have the members join in a moment, but I just have to say personally having known Anne over the years that I can't -- you know, it's very rare that you just see someone who's just spent just so much of her career all about the betterment of the public's experience. And I don't think there's any aspect of this organization that she's not touched. But just the level of just consistent professionalism and excellence in everything that she does. We're going to miss that. What a model you have been for so many.

I have the great distinction of reading your resolution, which was quite a -- I rehearsed this last night so I could get it right, and had I had more time, I'd have my colleagues join me in doing this in song -- (Laughter) -- but we'll see how it goes. But just want to share, certainly, the provisions of the resolution.

Whereas, in 1983 the year that Ewoks saved the day, and "Terms of Endearment" took home five Oscars, Anne Miller, lover of movies, gardening, and all numbers rounded, began her FTB career; and

Whereas, if FTB presented an award for the most acronyms achieved -- FTB's own "terms of endearment, Ms. Miller would surely win hands-down with this impressive list: MDP, EADP, ERAP, CSAC, ODAC, TGAC, IBAC, RAAC, M&V, and GC.

MS. MILLER: It's true.

CHAIRPERSON YEE: Every one of them. Every one of them.

Whereas, Ms. Miller would take home her own Oscar for most cookies ever baked for her infamous "Cookies and Conversations"; and

Whereas, beautiful gardens need sunshine and nourishment, our own Ms. Miller famously served as the sunshine of customer service, nourishing an entire organization of leaders through years of mentorship and guidance; and

Whereas, Ms. Miller personally oversaw the development and introduction of the revolutionary Ready Return, the staggering increase in e-filing, and the introduction of a cornucopia of online customer service tools: Live Chat, Virtual Hold, Business Entity WebPay, EASE Authentication, and MyFTB; and

Whereas, these many accomplishments pale in comparison to Ms. Miller's proudest achievement, her staff, who display resilience, flexibility, and cooperation through challenge after challenge, including furloughs, pipeline restructurings, EDR changes; and

Whereas, Ms. Miller moves on to her new career, traveling with her husband, Ralph, and Otis, their dog, from Yellowstone to Colorado and beyond, while maintaining a dizzying memorization of BART schedules that connect her to her beloved Giants, and continuing her favorite role as best grandmother ever.

Now let it be resolved -- now, therefore, let it be resolved this 22nd day of September, 2015, by the Franchise Tax Board, that we most sincerely recognize and thank Ms. Anne Miller on the occasion of her retirement for her professional and personal dedication to the Franchise Tax Board, and, most importantly, to the people of the state of California.

Congratulations, Anne.

(Applause)

CHAIRPERSON YEE: I'm going to open it up to my colleagues.

Mr. Horton?

MEMBER HORTON: Thank you, Madam Chair.

A life well-lived, a job well-done. Thank you so very much for all that you have done for us.

MS. MILLER: Thank you.

CHAIRPERSON YEE: Anne, would you like to say a few words?

MS. MILLER: I do have a few words I'd like to --

CHAIRPERSON YEE: And we would also like to welcome Anne's husband, Ralph, who is here and her son Paul, who is here, in the audience. Please stand.

(Applause)

MS. MILLER: My daughter, Elizabeth, is watching online.

(Laughter)

MS. MILLER: Thank you so much, Chair Yee, Board Members, and Selvi. I'm very honored and humbled to accept this resolution today in honor of my retirement. It's difficult to sum up 32 years here at Franchise Tax Board, but, first, I am very thankful for the many opportunities I've experienced throughout my career and the many exceptionally talented staff and managers that I've had the privilege to learn from and to work with.

It's been my sincere pleasure to serve the taxpayers of California and to help guide the department in developing services that meet our customers' needs. As board members, you have always been

extremely supportive in helping FTB achieve our vision and, for that, I'm more than grateful. Finally, I would like to acknowledge my family, my beloved staff in the Filing Division, my peers on the Governance Council, and our executive officer, Selvi, for their guidance, support, and commitment to excellence.

Thank you all very, very much. I'm very touched.

(Applause)

CHAIRPERSON YEE: Thank you.

Our next item, I believe we have someone in the audience for public comment. Is Mr. Randall Cheek here from SEIU 1000?

Please come forward.

Good afternoon. If you will introduce yourself formally for the record and you will have three minutes.

MR. CHEEK: Good afternoon. My name is Randall Cheek. I'm with Service Employees International Union Local 1000. We represent 95,000 state employees in the state of California.

I'm here today because, one, I'm a good taxpayer. I just want to let you know.

(Laughter)

MR. CHEEK: Number 2. I noticed that you have a contract with a security for Inter-Con, and that contract will be expiring soon. We are working to bring a lot of these contracts, that we consider outsourcing, back into the system.

Since 1932, security guards have been a state civil service position, and over the years we've kind of lost that and we would like to bring those back into the system, and bring the guards here, who work diligently and provide a good service to you, as civil servants. We would like to work with the staff and with the board to help get this accomplished. And we know it won't happen overnight, but we would like to continue to work with you and see if we can accomplish this like we have with some other state agencies.

CHAIRPERSON YEE: Okay. Thank you, Mr. Cheek.

Mr. Horton?

MEMBER HORTON: Thank you, Madam Chair.

I'm extremely supportive of this, Mr. Cheek.

But I want to share a personal experience that sort of brought me to this. Of course, we're all familiar with the benefit of having individuals who are just committed to their agency, and the 9/11 incident, when folks put their lives on the line in order to run into buildings that were falling down.

I recently had a heart episode -- I would call it that -- and had to be rushed off to the hospital. Thank God, everything worked out okay and I'm good to go for X number of years.

But the experience that I had was, the chief of the security guard, the contract service, ran out to the ambulance and said to the officers there, "What's his name?"

And I was, like, you know, I'm on the Board of Equalization. You work for the Board of Equalization. You are here to secure us. You are here to make sure that we're safe. You are here to make sure that this process goes well. And you are asking, what's my name? So there's a difference when you have employees that are part of a larger family, that are integrated into the system that -- in the civil service process, they are part of who we are in this process. And I think the security guards that we meet and greet -- this is not to say that the security that are here -- I think they are -- you know, they are yeomen and they are there and they serve us. It would be nice to have them as part of our family. And as well, Mr. Cheek, I want to encourage that those individuals who currently represent the Franchise Tax Board, that they have an opportunity, first opportunity, to, if, in fact, you are successful, they have an opportunity for those positions.

And thank you for bringing this forward.

MR. CHEEK: Thank you. And we would encourage that also.

CHAIRPERSON YEE: Thank you, Mr. Horton.

And I think Mr. Horton, especially; you could provide some leadership in this regard given your leadership on this same issue with the Board of Equalization.

Great.

At this time, Members, the Board is going into closed session to discuss pending litigation. We'd ask the audience to please remain seated while the board members exit.

(The Board met in closed session from 2:52 p.m. to 3:07 p.m.)

CHAIRPERSON YEE: Members, I just want to note, the Board met in closed session and discussed pending litigation, and we are hereby adjourned.

Thank you very much.

(Proceedings concluded at 3:08 p.m.)

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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 Franchise Tax Board meeting 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 meeting nor in any way interested in the outcome of said meeting.

IN WITNESS WHEREOF, I have hereunto set my hand this 11th day of October 2015.

/s/ Kathryn S. Swank \_\_\_\_\_  
KATHRYN S. SWANK, CSR  
Certified Shorthand Reporter  
License No. 13061