

**STATE OF CALIFORNIA  
FINANCE LETTER  
FOR FISCAL YEAR 2011/12  
DF-46 (REV 04/08)**

*Please report dollars in thousands.*

**Department of Finance  
915 L Street  
Sacramento, CA 95814  
IMS Mail Code: A-15**

FL # 2	PRIORITY NO	ORG CODE 1730	DEPARTMENT Franchise Tax Board
PROGRAM Tax Programs	ELEMENT All Tax Programs	COMPONENT	

**TITLE OF PROPOSED CHANGE:**

IT Refresh - Enterprise Tape Library

**SUMMARY OF PROPOSED CHANGE:**

This proposal requests to shift existing funding of \$2.29 million from FY 2010/11 to FY 2011/12 and \$2.27 million from FY 2011/12 to FY 2012/13 to align the existing funds with the updated timetable for project expenditures. The IT Refresh BCP was approved in FY 2010/11 and provides resources to replace FTB's "end-of-support" Enterprise Tape Library. These funds were not expended in FY 2010/11, but will be expended in FY 2011/12. FTB requests to move this existing funding out by one year. The costs will tie to the approved FY 2010/11 IT Refresh BCP (financing over two years). This revision does not change the project completion date, scope or project cost.

REQUIRES LEGISLATION <input type="checkbox"/> YES <input checked="" type="checkbox"/> NO	CODE SECTION(S) TO BE AMENDED/ADDED	BUDGET IMPACT-PROVIDE LIST AND MARK IF APPLICABLE <input checked="" type="checkbox"/> ONE-TIME COST <input checked="" type="checkbox"/> FULL-YEAR COSTS <input type="checkbox"/> FACILITIES/CAPITAL COSTS <input type="checkbox"/> FUTURE SAVINGS <input type="checkbox"/> REVENUE
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PREPARED BY:	DATE	REVIEWED BY:	DATE
<b>Pending Board Approval</b>			
FTB PROGRAM MANAGER:	DATE	DEPARTMENT DIRECTOR:	DATE

DOES THIS BCP CONTAIN INFORMATION TECHNOLOGY (IT) COMPONENTS? YES  OR NO   
IF YES, DEPARTMENTAL CHIEF INFORMATION SIGNATURE \_\_\_\_\_ DATE \_\_\_\_\_

FOR IT REQUESTS, SPECIFY THE DATE A SPECIAL PROJECT REPORT (SPR) OR FEASIBILITY STUDY REPORT (FSR) WAS APPROVED BY THE OFFICE OF THE CHIEF INFORMATION OFFICER (OCIO), OR PREVIOUSLY BY THE DEPARTMENT OF FINANCE.

DATE January 4, 2010 PROJECT # FTB 09-03 FSR  OR SPR

IF PROPOSAL AFFECTS ANOTHER DEPARTMENT, DOES OTHER DEPARTMENT CONCUR WITH PROPOSAL? \_\_\_\_\_

YES  NO

ATTACH COMMENTS OF AFFECTED DEPARTMENT SIGNED AND DATED BY THE DEPARTMENT DIRECTOR OR DESIGNEE.

**DEPARTMENT OF FINANCE ANALYST USE (ADDITIONAL REVIEW)**

CAPITAL OUTLAY  ITCU  FSCU  OSAE  CALSTARS  OCIO

DATE SUBMITTED TO THE LEGISLATURE:

PPBA:

FL #2	DATE	Title of Proposed Change:					
	02/11/2011	IT Refresh - Enterprise Tape Library					
PROGRAM	ELEMENT	COMPONENT					
Tax Programs	All Tax Programs						
	<u>Personnel Years</u>			<u>2010/11</u>	<u>2011/12</u>	<u>2012/13</u>	
	<u>2010/11</u>	<u>2011/12</u>	<u>2012/13</u>				
<b>Total Salaries &amp; Wages <u>a/</u></b>		<u>.0</u>	<u>.0</u>	<u>.0</u>	\$ 0	\$ 0	\$ 0
Salary Savings		<u>.0</u>	<u>.0</u>	<u>.0</u>	\$ 0	\$ 0	\$ 0
<b>Net Total Salaries and Wages</b>		<u>.0</u>	<u>.0</u>	<u>.0</u>	\$ 0	\$ 0	\$ 0
Staff Benefits <u>b/</u>					\$ 0	\$ 0	\$ 0
<b>Total Personal Services</b>					\$ 0	\$ 0	\$ 0
<b>Operating Expenses and Equipment</b>							
General Expenses					\$ 0	\$ 0	\$ 0
Printing					0	0	0
Communications					0	0	0
Postage					0	0	0
Travel-In-State					0	0	0
Travel Out-of-State					0	0	0
Training /1					-30,000	20,000	10,000
Facilities Operations					0	0	0
Utilities					0	0	0
Cons & Prof Svs - Interdept'l					0	0	0
Cons & Prof Svs - External					0	0	0
Consolidated Data Center					0	0	0
California Health and Human Services Agency Data Center					( )	( )	( )
Stephen P. Teale Data Center					( )	( )	( )
Data Processing /2					-2,137,000	0	2,137,000
Equipment					0	0	0
Other Items of Exp (Specify Below) /3					-119,000	0	119,000
<b>Total Operating Expense &amp; Equipment</b>					<u>-\$ 2,286,000</u>	<u>\$ 20,000</u>	<u>\$ 2,266,000</u>

a/ Itemized detail on Page II-3 by classification as in Salaries and Wages Supplement.  
b/ Detail provided on following pages.  
 /1 Training to support and use the upgraded infrastructure equipment  
 /2 Hardware & software purchase @ \$2,137,000 per year (for two years)  
 /3 Financing charge of 5.25% interest @ approx \$119,000 per year (for two years)

	<u>2010/11</u>	<u>2011/12</u>	<u>2012/13</u>
<b>TOTAL OPERATING EXPENSES AND EQUIPMENT</b>	<u><u>-\$ 2,286,000</u></u>	<u><u>\$ 20,000</u></u>	<u><u>\$ 2,266,000</u></u>
SPECIAL ITEMS OF EXPENSE <u>d/</u>			
_____	\$ 0	\$ 0	\$ 0
_____			

<b>PROGRAM ADMINISTRATION</b>	\$ 0	\$ 0	\$ 0
Distributed Admin	\$ 0	\$ 0	\$ 0

<b>TOTAL STATE OPERATIONS EXPENDITURES</b>	<u><u>-\$ 2,286,000</u></u>	<u><u>\$ 20,000</u></u>	<u><u>\$ 2,266,000</u></u>
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<u>Source of Funds</u>	<u>Appropriation No.</u>							
	Org	-	Ref	-	Fund			
General Fund	1730		001		0001	-\$ 2,193,000	\$ 19,000	\$ 2,174,000
DMV - Motor Vehicle Acct.	1730		001		0044	-10,000	0	10,000
DMV - License Fee Acct.	1730		001		0064	-19,000	0	19,000
Court Ordered Debt	1730		001		0242	-64,000	1,000	63,000
_____						0	0	0
_____						0	0	0
_____						0	0	0
Reimbursements						0	0	0
<b>Totals</b>						<u><u>-\$ 2,286,000</u></u>	<u><u>\$ 20,000</u></u>	<u><u>\$ 2,266,000</u></u>

<b>LOCAL ASSISTANCE</b>	\$( 0)	\$( 0)	\$( 0)
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<u>Source of Funds</u>	<u>Appropriation No.</u>							
	Org	-	Ref	-	Fund			
General Fund	1730		001		0001	\$ 0	\$ 0	\$ 0
_____						0	0	0
_____						0	0	0
_____						0	0	0
_____						0	0	0
Reimbursements						0	0	0
<b>Totals</b>						<u><u>\$ 0</u></u>	<u><u>\$ 0</u></u>	<u><u>\$ 0</u></u>

d/ Special Items of expense must be titled. Please refer to the Uniform Codes Manual for a list of the standardized Special Items of expense objects which may be used.

**DETAIL OF STAFF BENEFITS  
AND PERSONAL SERVICES**

<b>Positions</b>	<b>CY</b>	<b><u>Positions</u></b>		<b><u>Salary Range</u></b>	<b>CY</b>	<b><u>Amount</u></b>	
		<b><u>BY</u></b>	<b><u>BY + 1</u></b>			<b><u>BY</u></b>	<b><u>BY + 1</u></b>

**Schedule of Staff Benefits Costs  
FOR FISCAL YEAR 2011/12**

**Staff Benefits**

OASDI /1  
 Dental /2  
 Health /3  
 Retirement /4  
 Vision /5  
 Medicare /6  
 Worker's Comp /7  
 Industrial Disability /8  
 Non Industrial Disability /9  
 Unemployment Insurance /10  
 Total Staff Benefits

	<u>2009/10</u>	<u>2010/11</u>	<u>2011/12</u>
	\$ 0	\$ 0	\$ 0
	0	0	0
	0	0	0
	0	0	0
	0	0	0
	0	0	0
	0	0	0
	0	0	0
	0	0	0
	0	0	0
	0	0	0
	\$ 0	\$ 0	\$ 0

- 1/ For permanent and overtime, 6.2% of net salary.
- 2/ For permanent, \$539 per net personnel year.
- 3/ For permanent, \$8,289 per net personnel year.
- 4/ For permanent, 16.574% of net salary.
- 5/ For permanent, \$110 per net personnel year.
- 6/ 1.45% of net salary for permanent.
- 7/ 0.7% of net salary for permanent.
- 8/ 0.03% of net salary for permanent.
- 9/ 0.05% of net salary for permanent.
- 10/ 8.94% of net salary for temporary help.

**FRANCHISE TAX BOARD  
Fiscal Year 2011/12**

**Finance Letter**

**FL No: 2**

**IT Refresh – Enterprise Tape Library**

**Date: February 11, 2011**

**A. NATURE OF REQUEST**

This proposal requests to shift existing funding of \$2.29 million from FY 2010/11 to FY 2011/12 and \$2.27 million from FY 2011/12 to FY 2012/13 to align the existing funds with the updated timetable for project expenditures. The IT Refresh BCP was approved in FY 2010/11 and provides resources to replace FTB’s “end-of-support” Enterprise Tape Library. These funds were not expended in FY 2010/11, but will be expended in FY 2011/12. FTB requests to move this existing funding out by one year. The costs will tie to the approved FY 2010/11 IT Refresh BCP (financing over two years). This revision does not change the project completion date, scope or project cost.

Re-alignment of these baseline funds will allow FTB to move forward with the planned project to replace the existing Enterprise Tape Library (both the mainframe and the distributed systems components) equipment and software that is out-of-support and/or hampered by old, inadequate technologies. Replacing this system will reduce the risk that these critical components will fail and negatively impact FTB’s revenue-generating capabilities.

**B. BACKGROUND/HISTORY**

FTB’s primary function is to administer the California Revenue and Taxation Code, which includes collecting the proper amount of tax revenue and operating other programs entrusted to us at the least cost. In addition to its tax programs, FTB administers three non-tax debt programs: Court Ordered Debt, Industrial Health and Safety, and Vehicle Registration collections.

Each year, FTB processes more than 15 million Personal Income Tax (PIT) tax returns and one million Business Entity (BE) returns, responds to more than three million telephone calls, handles over seven million Internet contacts, and collects about \$60 billion – an average of more than 65 percent of the state’s general revenue each year. The FTB Data Center handles about 17 million online transactions in an average month, with a peak high of 20 million transactions, and runs more than 237,000 batch processes per month, with a high of 298,000 during peak season. Batch processes are large numbers of data transactions that run in “batches” without human interaction.

In addition to the PIT, BE and non-tax programs, FTB administers a Collection program to collect past-due payments; an Audit program that reviews tax returns to determine if an additional amount is owed; and a Nonfiler Compliance program that identifies taxpayers that have not filed one or more tax returns by the due date and ensures that filing and payment requirements are met.

This project will align baseline funding with the anticipated timing of project expenditures, thereby allowing FTB to move forward with the planned replacement of its Enterprise Tape Library system. This system provides continuous access to the up-to-date, accurate information that FTB's automated systems and staff rely on to send accurate notices and perform appropriate revenue-generating activities. FTB's current tape library impacts mission-critical functions including batch processing, data backup/retrieval, and disaster recovery. In addition, this system is necessary for the timely and accurate updating of FTB's revenue-generating applications (ARCS and INC) and core accounting systems (TI and BETS).

### **C. STATE LEVEL CONSIDERATIONS**

Re-aligning baseline funds to allow for the replacement of FTB's aging equipment and software reaching "end-of-support" will ensure consistency throughout the department and ensure security processes are current. Also, it will reduce the risk that these items fail and impact FTB's revenue-generating capabilities. FTB is required to exchange information with external entities including but not limited to private citizens, businesses, State entities, and Federal entities such as the IRS. The requirement to exchange information makes it necessary for the FTB's technology to be compatible with the technology used by its customers.

### **D. FACILITY/CAPITAL OUTLAY CONSIDERATIONS**

No facilities alterations are required to accommodate the replacement of the Enterprise Tape Library system.

### **E. JUSTIFICATION**

The IT Refresh BCP was approved in FY 2010/11 to fund replacing the Enterprise Tape Library. These funds were not expended in FY 2010/11, but will be expended in FY 2011/12. FTB requests to move the funding out by one year. The costs will tie to the approved FY 2010/11 IT Refresh BCP (financing over two years). This revision does not change the project completion date, scope or project cost.

Project delays are primarily due to the following:

- The inclusion of a Request for Information (RFI) process (*to reduce risk*).

- Changes to the state's Request for Proposal (RFP) approval process (*which now requires DGS Office of Legal Services review of all RFPs*).

By replacing aging, obsolete, end-of-support equipment and software, we are reducing the risk that these items will fail and impact FTB's revenue-generating capabilities. By replacing equipment at the appropriate time, we avoid equipment failures that cost the state money, and we maximize our return on investment.

The proposed mainframe tape backup and storage environment will consist of a new tape infrastructure that replaces the existing end of service life tape infrastructure. This new environment will allow FTB to provide a solution that combines a mainframe virtual tape solution and real tape resources in order to meet the department's daily batch processing and both our on and off site backups and disaster recovery requirements. This solution will provide FTB with uninterrupted network connectivity for its staff and the automated systems on the internal network and perform backup services more efficiently and effectively. This is the foundation of our process improvement efforts as stated in the departmental strategic goal #4, "Conduct our business efficiently and effectively."

## **F. OUTCOMES AND ACCOUNTABILITY**

This Finance Letter is supported by a fully developed Feasibility Study Report (FSR), which provides details of the project implementation plan. The FSR was approved by the Technology Agency on January 4, 2010. The FSR was developed by a project team made up of members from across the enterprise. The progress of the project is overseen by a Project Manager who works in conjunction with the department's Project Oversight and Guidance (POG) office to ensure all applicable guidelines and procedures are addressed. The FSR is the responsibility of the Department's Chief Information Officer (CIO) or delegate. The fiscal oversight of the project is the responsibility of both the CIO and the Chief Financial Officer (CFO).

## **G. ANALYSIS OF ALL FEASIBLE ALTERNATIVES**

**Alternative #1 – Shift existing funding of \$2.29 million from FY 2010/11 to FY 2011/12 and \$2.27 million from FY 2011/12 to FY 2012/13 to align the funds with the revised receipt of the project equipment and software. This revision does not change the project completion date, scope or project cost.**

This funding shift (with two-year financing) is necessary to align funding with the updated expenditure timetable, thereby allowing FTB to expend existing funds to replace the Enterprise Tape Library (both mainframe and the distributed systems components). This proposal would also realign ongoing baseline funding of \$10,000 for this project to start in FY 2012/13.

**Alternative #2 – Shift existing funding of \$2.29 million from FY 2010/11 to FY 2011/12 and reduce baseline FY 2011/12 funding of \$2.27 million by \$270,000.**

Same as Alternative #1 - without two-year financing option. This funding is needed to replace FTB's "end-of-support" Enterprise Tape Library. By paying for the equipment outright, the state would avoid the additional \$270,000 in costs associated with two-year financing.

**H. TIMETABLE**

Funding to be provided on July 1, 2011.

**I. RECOMMENDATION**

**Alternative #1** is recommended. This proposal will align existing funding for the Enterprise Tape Library with the timing of expenditures, thereby providing FTB the ability to replace this critical "end-of-life" IT infrastructure in order to support the department's revenue activities. Alternative #1 meets the business objectives and functional requirements necessary to maintain existing systems without risking major equipment or software failure, as identified in FTB's IT Refresh/Replacement Feasibility Study Report (FTB FSR 09-03).