



STATE OF CALIFORNIA
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KATHLEEN CONNELL
Chair

JOHN CHIANG
Member

B. TIMOTHY GAGE
Member

MEMORANDUM

To: Gerald H. Goldberg

From: Titus S. Toyama

Subject: FY 2002/03 Budget Summary

February 25, 2002

This memorandum provides a summary of the FTB budget for FY 2002/03. The budget is included on the agenda for the next Board meeting under Item 7 - Administrative Matters.

The Governor's FY 2002/03 Budget released on January 10th proposes a total of \$437.4 million for FTB and it includes 5,878 positions. Of this amount, \$373 million is for our Tax Programs, \$18.8 million is for Child Support Automation, \$16.2 million is for Child Support Collections, and the balance is for other non-tax programs. The budget for 2002/03 is slightly less than the current year revised budget (\$438.0 million). Although reductions are proposed for return processing and taxpayer services, these are offset by increases for auditing, collections, and IT "infrastructure."

Budget Highlights for 2002/03

- During the Fall, State agencies were directed by the Administration to submit proposals to reduce expenditures by 3, 5, 10, and 15 percent. For FTB, the total proposed reduction is around \$11 million (three percent), but some of the savings are being redirected to generate additional revenue.
- The budget reductions are proposed for the department's tax processing and taxpayer services areas. 80 personnel years and \$2.2 million will be saved as a result of the Governor's proposal that tax practitioners who prepare 100 or more tax returns file clients' returns electronically. Savings of 28 positions and \$1.3 million will come from taxpayer service areas, including the statewide toll-free Call Center, field offices public counters, and the Tax Practitioner hot-line.
- The budget includes \$4.5 million and 47 new positions for increased audit activities. Tax Collections will receive an increase of \$6.2 million and 83 positions.
- \$1.3 million is included for IT infrastructure.

If you have any questions regarding this information, please contact me at 4106.



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MEMORANDUM

To: Gerald H. Goldberg

February 25, 2002

From: Titus Toyama

Subject: Board Approval for Contracts Exceeding \$1 Million

This memorandum provides information for your notification to the Board pursuant to the Board's resolution requiring approval for purchases exceeding \$1 million. The following are the proposed purchases:

- **Computer Associates** - Multi-year contract for the continued licensing and maintenance of their software products on our mainframe computer. The software includes data management tools used for scheduling workloads on the mainframe, and security tools that simplify the complex process of managing access to critical database resources, privileges and utilities. The estimated cost for a three-year contract is \$2 million.
- **CompuWare**- Multi-year contract for the continued licensing and maintenance of their software products on our mainframe computer. The software products include productivity tools that provide an integrated approach to development, testing, debugging and maintenance. These tools reduce production errors and testing time while improving computer system resource utilization. The estimated cost for a three-year contract is \$1.1 million
- **Intecom** - Multi-year contract for the continued maintenance of our Private Branch Exchange (PBX). The PBX and its related telecommunications equipment supports all voice communications for the Department's Sacramento campus facilities. The estimated cost for a three-year contract is \$1.5 million.
- **Image Assisted Data Capture Infrastructure** - Contract with vendor to acquire scanners and software to replace the current Image Assisted Data Capture (IADC) infrastructure that represents outdated technology. The Department has placed significant reliance on IADC's ability to data capture over five million returns annually. The estimated one-time hardware and software cost is \$1.2 million. The new scanners and software will allow the Department to process returns efficiently using state-of-the-art image technology and respond to the evolving nature of California's income tax environment.

Gerald H. Goldberg

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Board Approval of Contracts Over \$1 Million

- **IBM** - Annual license with IBM for the continued licensing and maintenance of their software products on our mainframe computer. These are industry standard software products that serve as the backbone for our Department's operating system platform. The estimated cost for a one-year contract is \$1.4 million. Without this platform, the Department would not be able to perform any of its revenue generating functions or any of its various collection related or administrative tasks that involve our mainframe computer

Please note that the contracts for Computer Associates, CompuWare, and Intecom are proposed as multi-year agreements. This will allow the Department to take advantage of discounted pricing based on a long-term commitment.

If you have any questions please contact me at 845-4106.

Chief Financial Officer

cc: Brian Toman
Don Buxton
Will Bush
Dick Brothers
Larry Toliver
Carol Ford
Dennis Boom
Jan Ross

CONTRACT PENDING BOARD APPROVAL

DESCRIPTION	CONTRACT TYPE	ESTIMATED DOLLAR AMOUNT	ESTIMATED CONTRACT AWARD
PROPOSED CONTRACT OVER \$1,000,000: (See attached memo for details)			
Multi-year contract for Computer Associate's software license products.	DGS Approved	\$2,000,000	3/31/2002
Multi-year contract for Compuware's software license products.	DGS Approved	\$1,050,000	3/31/2002
Multi-year PBX maintenance contract with Intecom.	DGS Approved	\$1,500,000	4/1/2002
IADC scanners and software from Scanoptics	DGS Approved	\$1,200,000	7/1/2002
Annual software license with IBM	DGS Approved	\$1,450,000	7/1/2002