Stage 1 Business Analysis

1.1 General Information

Agency or State Entity Name:

Franchise Tax Board

Organization Code:

7730

Proposal Name:

Enterprise Data to Revenue 2 (EDR2)

Proposal Description:

FTB proposes to implement Phase 2 of their Tax Systems Modernization Plan. Phase 2 transitions Audit, Filing Enforcement and Underpayment to the Enterprise Data, Case Management & Modeling platform.

Proposed Start Date: July, 2021

Delegated Cost Threshold (Optional): ● Over   ○ Under

Department of Technology Project Number: 7730-209

1.2 Submittal Information

Contact Information:

Contact First Name:	**Contact Last Name:**
Christina	Casale

Contact Email:	**Contact Phone Number:**
christina.casale@ftb.ca.gov	(916) 845-4116

Submission Date:

Submission Type:

● New Submission   ○ Updated Submission (Pre-Approval)

○ Updated Submission (Post-Approval)   ○ Withdraw Submission

Project Approval Executive Transmittal: 📎 File Attachment

1.3 Preliminary Assessment

1.3.1 Reportability Assessment

	Yes	No
1. Does the Agency/state entity anticipate requesting a budget action to support this proposal?	◉	○
2. Does the Agency/state entity anticipate the estimated total development and acquisition cost to exceed the Department of Technology's established Agency/state entity delegated cost threshold **and** the proposal does not meet the criteria of a desktop and mobile computing commodity expenditure?	◉	○
3. Does this proposal involve a new system development or acquisition specifically required by legislative mandate **or** is subject to special legislative reporting or review as specified in budget control language or other legislation?	○	◉

Anticipated Reportability

	Yes	No
Is this proposal anticipated to be reportable?	◉	○

Planned Reporting Exemption

	Yes	No
Does the Agency/state entity anticipate seeking an exemption from project reporting? (Answer only if Anticipated Reportability above is "Yes.")	○	◉

1.3.2 Impact Assessment

	Yes	No
1. Has the funding source(s) been identified for this proposal?	◉	○

If "Yes," select applicable funding source(s) and enter the fund availability date. If funding source is "Other Funds," specify below:	FUND SOURCE Mark all that apply	FUND AVAILABILITY DATE
	☐ General Fund	FY 2020-21
	☐ Special Fund	FY 0000-00
	☐ Federal Fund	
	☐ Reimbursements	FY 0000-00
	☐ Bond Fund	FY 0000-00
	☐ Other Funds	FY 0000-00

	Yes	No
2. Will the State possibly incur a financial sanction or penalty if this proposal is not implemented? If "Yes," provide details in Section 1.9 Business Problem or Opportunity Summary.	○	◉
3. Is this proposal anticipated to have high public visibility? If "Yes," provide details in Section 1.9 Business Problem or Opportunity Summary.	◉	○

4. On a scale of 1 to 3 (1 = None, 2 = Partially, 3 = Fully), indicate how well the current business processes are documented, communicated and available for review.   2

1.4 Business Sponsor and Key Stakeholders

Executive Sponsors

Title	First Name	Last Name	Business Program Area
C.E.A.	Cathy	Cleek (Chair)	Technology Services Division
C.E.A.	Chris	Beach	Audit Division
C.E.A.	Jozel	Brunett	Legal Division
C.E.A.	Jennifer	Fowler	Accounts Receivable Management Division
C.E.A.	Jeanne	Harriman	Finance & Executive Services Division
C.E.A.	Denise	Mellor	Administrative Services Division
C.E.A.	Marlene	White	Office of Optimization
C.E.A.	Carol	Williams	Filing Division

Business Owners

Title	First Name	Last Name	Business Program Area
C.E.A.	Chris	Beach	Audit Division
C.E.A.	Jozel	Brunett	Legal Division
C.E.A.	Cathy	Cleek	Technology Services Division
C.E.A.	Jennifer	Fowler	Accounts Receivable Management Division
C.E.A.	Jeanne	Harriman	Finance & Executive Services Division
C.E.A	Denise	Mellor	Administrative Services Division
C.E.A.	Marlene	White	Office of Optimization
C.E.A.	Carol	Williams	Filing Division

Key Stakeholders

Title	First Name	Last Name	Business Program Area/Group	External
C.E.A	Paula	Adams	Planning & Project Oversight Bureau	☐
C.E.A.	Michael	Banuelos	Procurement Bureau	☐
C.E.A.	Teri	Dowd	Statewide Collection Bureau	☐
C.E.A.	Marco	Esquivel	Financial Management Bureau	☐
C.E.A.	Michelle	Fallon	Communication Services Bureau	☐
C.E.A.	Michelle	Frazier	Advisory, Analysis, & Services Bureau	☐
C.E.A.	Theria	Grady	Filing Compliance Bureau	☐
Tax Counsel IV	Dennis	Haase	Legal Division	☐
DPM IV	Marion	Hughes	Infrastructure Services Bureau	☐
Admin. IV	Molly	Lazzarini	Audit Division	☐
C.E.A	Susan	Maples	Taxpayers' Rights Advocate's Office	☐
C.E.A.	Marian	McKenna	Audit Division	☐

DPM IV	Julie	Moreno	Tax Systems & Applications Bureau	☐
C.E.A.	Kem	Musgrove	Technology Services Division	☐
C.E.A.	Craig	Nishite	Audit Division	☐
C.E.A	Paul	Ogden	Business and Human Resources Bureau	☐
DPM IV	Jose	Orozco	Enterprise Services Bureau	☐
C.E.A.	Gina	Purcell	Special Programs Bureau	☐
DPM IV	Bryan	Rau	Tax Systems Modernization Bureau	☐
C.E.A.	Scott	Reid	Economic & Statistical Research Bureau	☐
Assistant Chief Counsel	Craig	Scott	Legal Division	☐
C.E.A.	Nadean	Shavor	Privacy, Security & Disclosure Bureau	☐
C.E.A.	John	Sulenta	Application Services	☐
C.E.A.	Karen	Thomas	Filing Services Bureau	☐
C.E.A.	Andrea	VanWalleghem	Internal Audit Bureau	☐
Admin. IV	Mary	Wheat	Processing Service Bureau	☐
C.E.A.	Allen	Wilson	Filing Methods and Budget Bureau	☐
DPM IV	Dominick	Yazzi	Technology Planning and Decision Support Bureau	☐

1.5 Business Driver(s)   Mark all that apply

Financial Benefit:
☐ Increased Revenues
☐ Cost Savings
☐ Cost Avoidance
☐ Cost Recovery

Mandate(s):
☐ State
☐ Federal

Improvement:
☑ Better Services to Citizens
☐ Efficiencies to Program Operations
☐ Improved Health and/or Human Safety
☐ Technology Refresh

Security:
☐ Improved Information Security
☐ Improved Business Continuity
☐ Improved Technology Recovery

1.6 Statutes or Legislation

Statutes or Legislation: ○ New Statutes

○ Potential Legislation
○ Changes to Existing Legislation
◉ Not Applicable

Bill Number:

Legal Reference:

Additional Information:

1.7 Program Background and Context

The Franchise Tax Board's (FTB) 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. FTB strives to serve the public by continually improving the quality of our products and services and performing in a manner warranting the highest degree of public confidence in our integrity, efficiency and fairness.

Annually, FTB processes more than 18 million Personal Income Tax (PIT) returns and 1.8 million Business Entity (BE) returns, responds to more than three million phone calls, handles over eight million Internet contacts and collects about $93.5 billion in revenue, which represents more than 77 percent of the state's general fund revenue.

FTB uses the phrase "Blue Path" to represent the systems and processes used to process tax obligations that are filed correctly and timely. Approximately 83% of California's taxpayers are Blue Path taxpayers, and they are integral to FTB's success. Conversely, the "Red Path" represents the systems and programs used to process tax obligations that are filed incorrectly or require remediation in the collection of taxes owed. The Red Path processes are the most costly way for FTB to carry out its mission because they attempt to recover revenue often with insufficient data, redundant systems, and functions that are not shareable and reusable. The diagram below illustrates the "Blue Path" and "Red Path" processes in FTB's Tax Business Model:

Tax Business Model
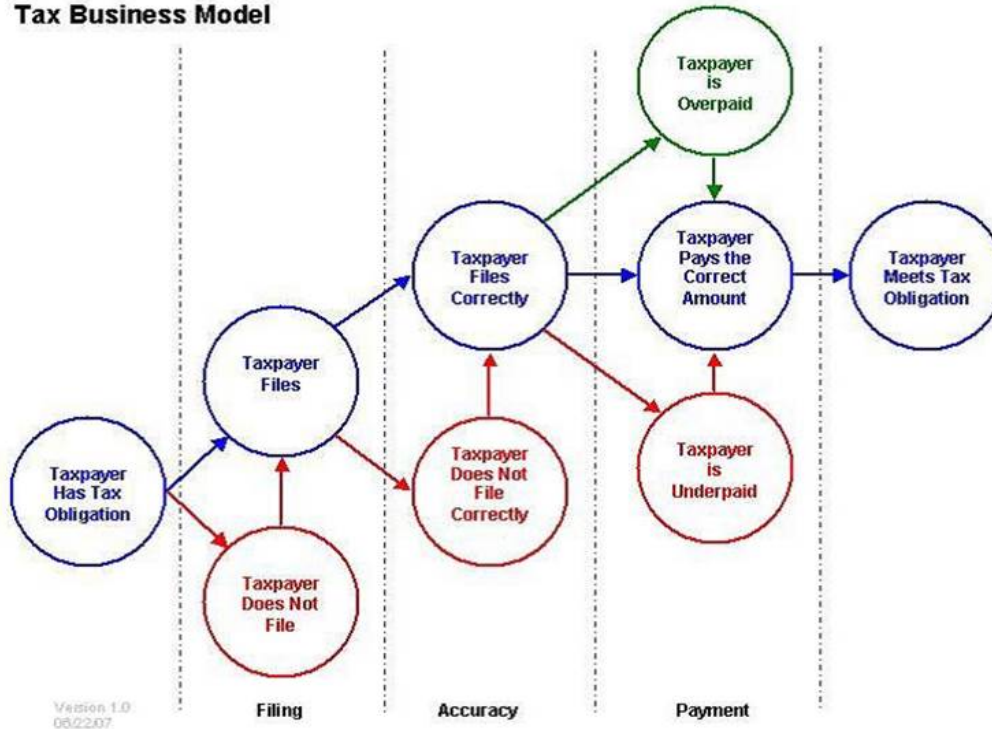
FTB's workloads break down into seven key Systems of Work (SOWs), which include Return Filing, Return Validation, Filing Enforcement (FE), Audit, Underpayment, Payment, and Overpayment (Refunds). In 2007, FTB's Tax Systems Modernization (TSM) Bureau undertook an extensive effort to perform a Business Problem Analysis (BPA). The BPA consisted of enterprise strategic planning for the FTB Tax Systems IT Strategic Plan (ITSP). The BPA targeted FTB's SOWs, specifically analyzing Return Filing, Return Validation, FE, Audit, and Underpayment with an overall objective to align FTB's goals and strategies with initiatives designed to deliver breakthrough improvements at both the enterprise and SOW levels. The BPA clarified, defined, and detailed FTB's Strategic Goals and defined the Enterprise Vision reconciled against the vision plans of the Filing, Audit, and Underpayment business areas. In addition, the BPA defined the Strategic Business Problems (SBPs) faced by the business areas that are obstacles to achieving the Enterprise Vision and identified opportunities for solving the problems.

The Strategic Business Plan, business goals, and visions developed by the business areas were used to identify the SBPs. The BPA not only defined and highlighted business problems but illuminated strategies and opportunities to enable the business areas to achieve their visions and goals more efficiently and effectively. With validation from both the business and technology stakeholders, the SBPs produced a business focus intent on establishing a clear and comprehensive business vision to increase revenue through managing the tax gap (the difference between the amount of tax owed and the amount of tax paid), by improving and streamlining processes, reducing waste, minimizing redundancy, and reducing technology maintenance and operations costs. The BPA facilitated the formulation of a strategic IT portfolio that included a three-phased TSM effort to modernize FTB's systems environment and reach its strategic target architecture.

Phase 1 of the TSM effort, consisted of the Enterprise Data to Revenue (EDR) Project and addressed the problems identified in the original BPA for the Return Filing and Return Validation SOWs (specifically in the application of modeling and case management) and built the foundation for the next two phases of the TSM effort. EDR included Imaging, Data Capture, Case Management, Return Processing, Modeling, Taxpayer Folder, and MyFTB. EDR resulted in an enterprise data, modeling, and case management platform and infrastructure with common services that can be expanded across the enterprise. With the successful completion of EDR in 2016, Phase 1 of the TSM effort was complete.

Phase 2 of the TSM effort will be the EDR^2 Project. This project as proposed builds on the enterprise data, modeling, and case management platform and infrastructure provided by EDR by expanding enterprise case management and modeling to Audit, Filing Enforcement, and Underpayment SOWs. Phase 2 expands the functionality for Taxpayer Folder and MyFTB, and decommissions multiple legacy systems. In 2017, a second Business Process Analysis (BPA^2) was conducted to:

- Validate and refresh the previously identified business opportunities in the first BPA, with emphasis on those opportunities not implemented by EDR: Audit, Filing Enforcement, & Underpayment.
- Identify new business opportunities with emphasis on technology advancements since the first BPA in 2007.
- Gauge overall progress towards the technology target architecture.
- Facilitate a process to help FTB understand the benefits, outcomes, and impacts of the business opportunities identified for Phase 2 of the Tax Systems Modernization effort.

This second Business Problem Analysis included input from the business owners and key stakeholders from the Audit and Legal, Filing Enforcement, and Underpayment business program/process areas and helped define the scope of EDR^2. Separate meetings were held for each of the business areas where subject matter experts discussed their *as-is* business processes and the related core business problems. From these discussions, objectives were identified and *to-be* business processes were developed to resolve the business problems.

The table below shows the progress at a high level made by the FTB TSM effort towards solving the six FTB Strategic Business Problems. Phase 1 shows the post EDR project progress and plans, while Phase 2 shows the projected progress based on the BPA^2 opportunities identified, and Phase 3 shows the planned scope which completes FTB's TSM effort by moving all of FTB's major systems to the enterprise platform and modernizing the accounting systems for both Personal and Business Entity Income Taxes.

	Strategic Business Problem	Phase 1	Phase 2	Phase 3
1	Limited Data Availability	50%	90%	100%
2	Fragmented Business Processes	30%	90%	100%
3	System Redundancy and Limited Reuse	30%	70%	100%
4	Limited Self Services	30%	90%	100%
5	Limited Data Analytics	20%	90%	100%
6	Legacy System Aging/Outdated Technology	10%	70%	100%
	Total	33%	78%	100%

The background and context for the three SOWs addressed by EDR^2 are documented below.

Audit and Legal
The Audit Division is responsible for auditing personal income tax (PIT) taxpayers with California source income and business entity (BE) taxpayers doing business in the state, and for investigating taxpayers for criminal activity. The Legal Division performs a variety of legal functions and services related to audit, representing the department in tax matters in protest, appeal, litigation, and settlement cases. The Audit Division's mission is to ensure that taxpayers report and pay the correct amount of tax. This is accomplished with approximately 1,200 staff located in 12 offices—including offices outside California—who perform nearly 335,000 audits per year (330,000 PIT and 5,000 BE taxpayers) that produce about $1.5 billion in revenue. The Audit Division also maintains an inventory of nearly 500 investigation cases and generates about $2.5 million in revenue a year. The Audit and Legal Divisions play a significant role in managing the estimated $10 billion dollar tax gap in California.

The Audit Division acquires and analyzes data to facilitate the selection of audit candidates through modeling. It currently uses multiple, separate modeling systems: Professional Audit Support System (PASS); Enterprise Customer Assets, Income, and Return (ECAIR); Head of Household (HOH); Computer Paragraph #2000 (CP2000); Selection of Tax Returns for Automated Audit Review System (STARS); and Federal and State Automated Report System (FEDSTAR). Because FTB receives more than 18 million individual income tax returns and over 1.8

million business entity tax returns annually, the Audit Division uses modeling to optimize audit case selection and increase compliance in the most egregious areas of abuse. In addition to the modeling systems, the Audit Division uses multiple case management systems (PASS, HOH, CP2000, STARS, FEDSTAR) and one noticing system: (Personal Audit Work Station (PAWS)).

Filing Enforcement

Filing Enforcement (FE) is one of FTB's primary methods to manage the tax gap and gain compliance with the State's tax laws. The key element of the program is the Integrated Non-filer Compliance (INC) System that identifies potential non-filers by matching third-party reported income records, determining if the non-filer had a filing requirement, and verifying that a return was not filed. These potential non-filers are notified exclusively by mail of their filing requirement and, if they fail to file a tax return, are assessed an amount of tax based on income information obtained from third-party sources. The program promotes and encourages taxpayers to file their returns correctly, pay the correct amount of tax due, and self-comply in the future. The critical component of the FE process is the acquisition and analysis of third-party data.

For fiscal year 2015/16, the FE program obtained approximately 400,000 tax returns and payments from taxpayers for a total revenue collected of approximately $860 million [$800 million from personal income tax (PIT) and $60 million from business entities (BE)]. Filing enforcement is accomplished with approximately 90 staff in Sacramento who coordinate the processing of approximately 515 million income records from third-party sources. Third-party income records are standardized (address only), cleansed, and matched. After the match process, key demographic and financial data from third-party records are loaded into the INC database for further non-filer identification. All data from the third-party records are loaded into the Enterprise Customer Assets, Income and Return (ECAIR) data warehouse. FE then employs non-filer strategies against this data.

Underpayment/Accounts Receivable

The Underpayment System of Work resolves collection accounts by collecting the correct amount of money owed. These programs provide direct assistance to taxpayers and tax professionals by educating them when responding to billing notices, explaining outstanding debts, and encouraging them to voluntarily pay in full. For those taxpayers who do not comply, involuntary collection action is taken. This may consist of contacting taxpayers, filing liens, issuing levies, and seizing assets. FTB administers the following two tax debt types: Personal Income Tax (PIT) and Business Entities (BE). Each of the tax debt types has a separate collection system that essentially performs the same collection functions (for example, levies, installment agreements, and notices). FTB's Underpayment activities are accomplished with about 1,350 staff in Sacramento and nine offices throughout California. For Fiscal Year 15/16, Underpayment revenue collected was $3.174 billion.

A key component of the Underpayment process is the acquisition and analysis of data, both internal (taxpayer data) and external (3rd party data). Data is critical to the success of Underpayment and is vital to the planning, execution, and evaluation of its strategies. Underpayment modeling currently uses the Enterprise Modeling platform to perform modeling for PIT, BE, Field, and discharge; however, only the model score for PIT and BE are currently being used to determine treatment path and next actions.

Underpayment's primary sources of Taxpayer Engagements are paper-based communications and phone calls. With EDR, strides have been made through the implementation of MyFTB to provide additional communication channels and increased self-services to taxpayers. These options won't be available for the Underpayment SOW until the implementation of EDR[2], requiring underpayment staff to rely heavily on more expensive and time consuming methods of communication. While working in the field, staff have limited access to information and services, resulting in either follow-up work or reliance on the customer to complete the desired action.

1.8 Strategic Business Alignment

Strategic Business Goals	Alignment
Goal #1	Implementing the Audit, Filing Enforcement, and

Taxpayer Centric Service – Enhance our services to help taxpayers fulfill their tax obligations Strategies: • Evaluate customer experience needs across all service channels; develop and implement a roadmap to meet those needs. • Champion an organizational culture to achieve positive customer experiences. • Promote the use of self-service tools to improve service to our customers.	Underpayment opportunities in this proposal as they relate to an enterprise customer experience will move FTB closer to meeting this goal. Enhancing Taxpayer self-services for the Audit, Filing Enforcement, and Underpayment SOWs will allow Taxpayers to self-serve and focus FTB resources on the highest business priorities. Implementing the use of the latest technology (for example: Artificial Intelligence) and the use of Customer Experience techniques will serve more taxpayers.
Goal #2 Effective Compliance – Fairly administer the law to ensure taxpayers file and pay the correct amount. Strategies: • Identify noncompliant taxpayer segments and customize our actions to improve compliance. • Discover and implement new approaches to increase compliance in the most egregious areas of abuse • Improve data, information, and knowledge sharing with the tax community and government partners. • Improve case selection in all compliance programs. • Improve timeliness in all compliance programs.	Implementing the opportunities in this proposal related to transitioning the Audit, Filing Enforcement, and Underpayment SOWs to the Enterprise Data, Modeling, and Case Management Platform and enhancing the customer experience will move FTB closer to meeting this goal. Building onto the Enterprise Data, Modeling, and Case Management Platform provided by EDR and making enterprise data and enterprise case management available to these SOWs means FTB will be able to utilize enhanced data modeling and analytics to identify noncompliant taxpayer segments, including the most egregious areas of abuse. It will improve case selection and allow FTB to customize our actions to improve the timeliness of compliance efforts across the SOWs. By integrating self-services and Enterprise Case Management, and providing a searchable knowledge database to taxpayers and representatives, we will optimize our approach for achieving self-compliance. Having new income records and creating new strategies will allow FTB to pursue a new segment of noncompliant taxpayers.
Goal #3 Strong Organization – Invest in our employees, challenge and empower them to be experts in their field, and help them achieve their full potential. Strategies: • Prioritize and implement the Talent Management Program services to help us recruit, train, and retain our employees. • Support an environment where decisions are made at all levels by those who have both the expertise and best information. • Increase employee engagement and job satisfaction by assessing and enhancing culture, workplace	Implementing the Audit, Filing Enforcement, and Underpayment opportunities in this proposal with functionality related to providing enterprise knowledge management for internal users, providing enterprise dashboards and alerts for management, and providing feedback to employees and managers will move FTB closer to meeting this goal. Enterprise knowledge management for internal users will provide information to FTB staff through scenario-based content and event-driven management ensuring they are making decisions with the best information available at the time they need it. Real time enterprise dashboards and alerts will give management and staff the ability to probe into potential problems and drive decisions across the enterprise based on comprehensive data-backed facts.

environment, and employee recognition.	
Goal #4 Operational Excellence – Optimize processes, products, services, and resources to better serve our customers. Strategies: • Manage budgeted resources at the enterprise level and use performance metrics to meet short- and long-term business needs. • Use data modeling and analytics to enhance operations. • Leverage and modernize IT systems and processes to support enterprise business activities, including financial, human resources, and nontax programs. • Mitigate emerging and evolving threats and manage risks to maintain taxpayer privacy and security. • Standardize our hardware and software to optimize operations.	Implementing the opportunities in this proposal related to transitioning the Audit, Filing Enforcement, and Underpayment SOWs to the Enterprise Data, Modeling, and Case Management Platform will move FTB closer to meeting this goal. Building on the Enterprise Data, Modeling, and Case Management Platform provided by EDR and making enterprise data and enterprise case management available to these SOWs means FTB will be able to utilize enhanced data modeling and analytics to enhance operations and increase revenue. By integrating common services including Levy, Lien, and Noticing with the enterprise platform, FTB can leverage and modernize their systems and processes by eliminating redundancy. With these SOWs on the enterprise platform, our hardware and software is standardized, optimizing our operations and reducing IT costs.
Strategic Plan Last Updated	12/1/2016

1.9 Business Problem or Opportunity Summary

EDR[2] represents Phase 2 of an enterprise-wide tax system modernization effort to align FTB's IT infrastructure with its strategic business plan. The proposal is important to consider at this time in order to take advantage of the knowledge and experience FTB staff gained from the (phase 1) EDR Project.

The EDR[2] Project will provide the opportunity to manage the tax gap by implementing new Audit, Filing Enforcement, and Underpayment strategies that will identify new revenue streams. In addition, taking a proactive approach in identifying non-compliant tax behavior, encouraging Blue Path behavior, and using more data to reconcile all aspects of a return will further support tax gap management and California's voluntary compliance-based tax system. Moving the Audit, Filing Enforcement, and Underpayment Systems of Work to the enterprise platform results in efficiencies across program operations. In addition, the EDR[2] Project presents an opportunity for FTB to address Legacy Systems that are using outdated technology. The table below shows the systems we plan to replace with EDR[2] and their original implementation dates and ages.

System	Date Implemented	System Age in Years (as of 2021)
ARCS	1999	22
INC	2001	20
PASS	1997	24

The EDR[2] Project will continue to address the 6 Strategic Business Problems identified during the original BPA. These Strategic Business Problems developed over time and are primarily attributable to outdated business processes, systems, and technologies, as well as changing business needs, priorities, and strategies. These

problems affect the entire enterprise, constraining FTB's ability to achieve its strategic business goals and objectives and preventing the implementation of more effective strategies. The EDR Project addressed these problems as they related to the Return Filing and Return Analysis SOWs. The EDR² Project will address these problems as they relate to the Audit, Filing Enforcement (FE), and Underpayment SOWs. The objectives identified in Section 1.10 of this proposal map to the Strategic Business Problems identified in the first BPA and listed below.

1. Data Availability - FTB experiences multiple problems with data availability. Not all tax form data is captured or available to the enterprise. Needed relationships between entities are not provided. Data is managed in silos making it redundant and untimely, and it's not consistently matched and cleansed. Data processing takes too long, resulting in untimely updates.

   With the EDR Project, the following items were implemented to alleviate some of FTB's data availability problems:
   - Enterprise Data Warehouse (EDW) viewable through the Internal Taxpayer Folder
   - Return, payment, and correspondence imaging and data capture
   - Established rules for determining Best Address across the Enterprise
   - Processed new Third Party data

   With the EDR² Project, the following items will be implemented to alleviate even more of FTB's data availability problems:
   - Data from the Audit, Filing Enforcement, and Underpayment SOWs moves to the EDW
   - Audit, Filing Enforcement, and Underpayment SOWs will have access to data in the Enterprise Data Warehouse
   - Pass-through entity relationships will be established
   - Unstructured data will be captured and available to the enterprise
   - New sources of Third Party data will be captured and available to the enterprise

2. Business Processes - FTB experiences multiple problems with its business processes. System of Work functions are not optimized, workflow is limited and not integrated. Business rules and processes are siloed and cannot be leveraged. Changes are difficult to make and untimely. Case Management tools are limited and business performance is difficult to monitor. Training is system centric and costly to deliver and maintain.

   With the EDR Project, the following items were implemented to alleviate some of FTB's business processes problems:
   - Data capture and edit workflow
   - Correspondence Case Management
   - PIT Return Analysis workflow
   - Power of Attorney workflow

   With the EDR² Project, the following items will be implemented to alleviate even more of FTB's business processes problems:
   - Audit Case Management will move to the enterprise platform
   - Filing Enforcement Case Management will move to the enterprise platform
   - Underpayment Case Management will move to the enterprise platform
   - Manual case management processes will be automated
   - Processes will be evaluated and optimized to move taxpayers from the Red Path to the Blue Path earlier in the process to eliminate taxpayer frustration, save costs and generate revenue.

3. System Redundancy and Reuse - Systems and functionality are costly to develop and maintain because they are redundant, have different technologies, different platforms and are not integrated or reusable.

    With the EDR Project, the following items were implemented to alleviate some of FTB's business processes problems:
    - Enterprise Noticing Service (ENS)
    - Locate Services
    - PIT Return, Fiduciary, and Payment Validation

    With the EDR^2 Project, the following items will be implemented to alleviate even more of FTB's business processes problems:
    - Implement enterprise knowledge management
    - Implement common services and support tools
    - Audit, Filing Enforcement, and Underpayment will utilize common services

4. Self-Services - Taxpayer self-services are limited due to outdated technologies and limited security.

    With the EDR Project, the following items were implemented to alleviate some of FTB's business processes problems:
    - MyFTB infrastructure and consolidated services with enhanced External Authentication for Secure E-Services (EASE)
    - New self-services for online protest and FTB communication
    - Proactive campaigns

    With the EDR^2 Project, the following items will be implemented to alleviate even more of FTB's business processes problems:
    - New self-services to promote education and self-correct
    - New self-services for underserved partners
    - Enhanced communication capabilities

5. Data Analysis - Noncompliance discovery and fraud detection, tracking and prevention are limited because taxpayer behavior analytical tools are unavailable.

    With the EDR Project, the following items were implemented to alleviate some of FTB's business processes problems:
    - Predictive modeling
    - Business Intelligence Data Mart (BIDM), Enterprise Modeling Data Mart (EMDM)
    - Pega and Hadoop real time reports

    With the EDR^2 Project, the following items will be implemented to alleviate even more of FTB's business processes problems:
    - Implement new models and strategies with optimized tools and enterprise data
    - Utilize Artificial Intelligence, Business Intelligence, and dynamic modeling
    - Optimize forecasting, statistical scoring, customer forecasting, and segmentation with behavior analytics to achieve taxpayer compliance

6. Legacy System Aging and Outdated Technology - Legacy system functionality is built on proprietary software that is nearing the end of its useful life. Legacy systems utilize outdated technology resulting in the inability to interface with new systems, services, electronic documents, and Internet applications.

The outdated legacy systems lack agility and responsiveness to business needs and have high maintenance and operational costs.

With the EDR Project, the following items were implemented to alleviate some of FTB's business processes problems:
- Return Validation front-end decommission

With the EDR^2 Project, the following items will be implemented to alleviate even more of FTB's business processes problems:
- Decommission of PASS, INC, and ARCS

The key element of this proposal is upgrading aging systems with an emphasis towards enterprise operations resulting in enhanced operations, increased revenue and increased taxpayer services. In addition, these services will expose more data and information to the public that will require new security strategies. This proposal is not in response to any mandates.

1.10 Business Problem or Opportunity and Objectives Table

ID	Problems or Opportunities
1	The following strategic business problems will be addressed by the objectives below. Each objective will reference back to the strategic business problems it addresses: 1 – Data Availability—Not all tax form data is captured or available to the enterprise. Needed relationships between entities are not provided. Data is managed in silos making it redundant and untimely, and it's not consistently matched and cleansed. Data processing takes too long, resulting in untimely updates. 2 – Business Processes—SOW functions are not optimized, workflow is limited and not integrated. Business rules and processes are siloed and cannot be leveraged. Changes are difficult to make and untimely. Case Management tools are limited and business performance is difficult to monitor. Training is system centric and costly to deliver and maintain. 3 – Redundancy and Reuse—Systems and functionality are costly to develop and maintain because they are redundant, have different technologies, different platforms, and are not integrated or reusable. 4 – Self-Services—Taxpayer self-services are limited due to outdated technologies and limited security. 5 – Data Analytics—Noncompliance discovery and fraud detection, tracking and prevention are limited because taxpayer behavior analytical tools are unavailable. 6 – Legacy Systems Aging & Outdated Technology—Legacy system functionality is built on proprietary software that is nearing the end of its useful life. Legacy systems utilize outdated technology resulting in the inability to interface with new systems, services, electronic documents, and internet applications. The outdated legacy systems lack agility and responsiveness to business needs and have high maintenance and operational costs.

Obj #	Objective
1.1	Increase revenue and efficiencies by transitioning the Audit, Filing Enforcement and Underpayment SOWs from multiple legacy systems to the Enterprise Data, Modeling, and Case Management Platform: • Providing access to enterprise data • Providing access to enterprise modeling

- Improving case selection
- Providing workload management
- Providing access to common services
- Providing enhanced communication capabilities
- Providing event driven Knowledge Management

(This objective addresses Strategic Business Problems: 1, 2, 3, 4, 5 & 6.)

Metric	Baseline	Target	Measurement Method
$ amount of additional Net Proposed Assessment cash, $ per FE Case, and increase in collection rate.	$5 billion	$155 million - $191 million	Revenue is the cash collected or reduction in refunds issued during the measurement period in excess of the baseline period.

Obj #	Objective
1.2	Increase revenue and efficiencies for the Audit, Filing Enforcement (FE) & Underpayment SOWs by: • Implementing new Audit, and FE models that select returns not selected with their current models • Implementing new Audit, FE and Underpayment strategies that leverage enhanced data and data analytics and aim to change taxpayer behavior. • Implementing Third Party Nonfiler Program • Automating manual audit processes • Providing additional communication capabilities, self-services and campaigns • Providing mobile computing • Implementing new third-party data sources to identify non-filers not covered by the current FE program. • Utilizing advanced technologies such as business and artificial intelligence (This objective addresses Strategic Business Problems: 1, 2, 4, 5 & 6)

Metric	Baseline	Target	Measurement Method
$ amount of additional Net Proposed Assessment cash, $ per FE Case, and increase in collection rate.	Zero, this objective is based on new strategies and models.	$125 million - $154 million	Revenue is the cash collected or reduction in refunds issued during the measurement period.

Obj #	Objective
1.3	Increase revenue by correcting returns before and during Return Analysis, with all available data, in order to accept, hold for correction, send auto notices and refer returns for compliance follow-up. (This objective addresses Strategic Business Problems: 1 & 2)

Metric	Baseline	Target	Measurement Method
Number of returns adjusted; Dollar amount of Notice of Tax Return Changes issued	$1.9 billion	$21 million to $25 million	Revenue is the cash collected or reduction in refunds issued during the measurement period in excess of the baseline period.

Obj #	Objective
1.4	Increase worker direct time and increase revenue per hour by improving Worker Productivity. (This objective addresses Strategic Business Problem: 2)

Metric	Baseline	Target	Measurement Method
Production hours	Audit – 142,282 As	$15 million to $20	Revenue is the cash collected or

	Is hours, $784 revenue per hour; IVS – 126,315 As Is hours, $1,461 revenue per hour	million	reduction in refunds issued during the measurement period in excess of the baseline period.

Obj #	Objective
1.5	Transition the functionality currently provided by INC, ARCS, and PASS to the EDR Enterprise Platform. (This objective addresses Strategic Business Problem: 6)

Metric	Baseline	Target	Measurement Method
N/A	N/A	7/2027	The functionality has been moved and is supported by the Enterprise Platform.

1.11 Business and Stakeholder Capacity

1.11.1 Business Program Priorities

	Yes	No
Does this proposal share resources (state staff, vendors, consultants or financial) with other business program priorities within the Agency/state entity?	○	●

N/A

1.11.2 External Stakeholder Involvement

N/A

1.11.3 New or Changes to Business Processes

	Yes	No
Does the Agency/state anticipate this proposal will result in the creation of new business processes?	●	○
Does the Agency/state entity anticipate changes to existing business process?	●	○

This project will not change the core business of FTB nor will it add a new workload; however it will change the way work flows to staff and it introduces new tools for staff to use when performing their current work. As part of the EDR[2] project, Business Process Reengineering will be performed on the Audit, Filing Enforcement, and Underpayment SOWs to document these changes.

1.12 Organizational Readiness

1.12.1 Governance Structure

	Yes	No
Does the Agency/state entity have an established governance structure for combined business and IT decision making, including information security and privacy?	●	○

FTB's Governance structure provides vision, strategic leadership, planning and enterprise-level decision making for the internal operations of the FTB, which ensures success of the department's programs and activities. This structure is mature and has been in place since 2007.

1.12.2 Leadership Participation

Identify the levels of leadership that are aware of and engaged in addressing the business problem(s)/ opportunity(ies) identified in this proposal (check all that

☑ Executive

☑ Senior Management Business/Program

apply):

☑ Mid-level Management Business/Program
☑ Senior Management IT
☑ Mid-level Management IT
☑ Enterprise Architect

For a list of the Business Sponsors and Key Stakeholders, please refer to section 1.4 of this document.

A Steering Committee will be formed for this project that meets the following guidelines documented by FTB's Project Oversight and Guidance (POG) Section:

Steering Committees at FTB

The steering committee consists of a group of high-level stakeholders who are responsible for providing guidance on the overall strategic direction for a project. The steering committee is responsible for the policy and resource decisions essential to the delivery of the project deliverables. Steering committee tasks/responsibilities include the following:
- Providing oversight and direction for the project.
- Maintaining project focus and direction.
- Ensuring the project stays on-track according to the defined goals, requirements, and timeframes.
- Resolving conflicts and making decisions regarding changes to scope and deliverables.
- Providing support, direction, and advice to the project manager and project team.
- Monitoring progress and responding to management-level problems.
- Ensuring projects are aligned with changing business circumstances and objectives.
- Providing a global perspective.

Selection of Steering Committee Members

Because no two projects are alike, predetermining the participants of a particular project's Steering Committee can be very difficult. Because of this, FTB uses the following guidelines to assist in navigating through the selection process:
- Participants should have sufficient knowledge and expertise to contribute to the project's success.
- Participants should have a stake in the outcome of the project.
- Participants should ensure key project and business functions are represented.

Steering Committee Creation

The project manager and project sponsor will work together to create the steering committee. The steering committee will be established by the project start date. Typically, the steering committee is made up of bureau directors who have a vested interest in the success of the project.

Steering Committee Meeting Schedule

The Steering Committee will hold regular meetings - monthly before the vendor arrives and twice a month after the vendor arrives.

1.12.3 Resource Capability/Skills/Knowledge for Stage 2 Alternatives Analysis   Yes   No

Does the Agency/state entity anticipate requesting additional resources, through a budget request, to further study this proposal and/or perform procurement analysis?   ◉   ○

Of the Agency/state entity resources identified to perform Stage 2 Alternatives Analysis for this proposal, enter the number of staff who have had experience with planning projects of a similar nature.   `17`

Name	Title	# of Years	Experience working on similar projects (as well as any related Organizational Change Management experience)
Cathy Cleek	C.E.A.	25	Executive Sponsor CCSAS Project and EDR Project. Project Manager INC Project, PMP

			Certified, CPA, and Masters in Taxation
Marlene White	C.E.A.	20	10 years as Business Director of the EDR and INC Project2 and 10+ additional years working on a variety of FTB Projects
Kem Musgrove	C.E.A.	20	8 years as the Technical Director of the EDR Project and 12+ additional years working on a variety of FTB Projects
Bryan Rau	Data Processing Manager IV	10	10 years as the Application Development Manager on the EDR Project and PROSCI Certified.
Michelle Nitz	Data Processing Manager II	16	6 years working as a Requirements Analyst on the EDR Project and 10 years as a Requirements Analyst on the CCSAS Project
Mandy Fithian	Administrator III	5	5 years as a Business Implementation Leader on the EDR Project
Susan Larson	Administrator III	5	5 years as a Business Implementation Leader on the EDR Project
Kelly Heckman	Administrator III	5	5 years as the Change Management Manager on the EDR Project and PROSCI Certified.
Stacey Bixby	Senior Information Systems Analyst (Specialist)	11	4 years working as a Requirements Analyst on the EDR Project and 7 years as a Requirements Analyst on the CCSAS Project
Monica Cervantes	Senior Information Systems Analyst (Specialist)	17	5 years working as a Requirements Analyst on the EDR Project and 12 years as a Requirements Analyst on the CCSAS Project
Michele Cornelison	Senior Information Systems Analyst (Specialist)	19	10 years working as a Requirements Analyst on the EDR Project, 7 years as a Requirements Analyst on multiple ARM Projects, and 2 years as a Requirements Analyst on the ARCS Project
Marta James	Senior Information Systems Analyst (Specialist)	22	5 years working as a Requirements Analyst on the EDR Project, 13 years as a Requirements Analyst on the CCSAS Project, and 4 years as a Requirements Analyst on the PASS Project
Mikhael Lombard	Senior Information Systems Analyst (Specialist)	6	6 years working as a Requirements Analyst on the EDR Project
Pablo Zavala	Senior Information Systems Analyst (Specialist)	12	6 years working as a Requirements Analyst on the EDR Project and 6 years as a Requirements Analyst on the COD Project

1.12.4 Training and Organizational Change Management   Yes   No

With respect to the magnitude of this proposal, does the Agency/state entity have resources, processes, and methodologies in place to provide training and organizational change management services?   ○   ◉

Does this proposal affect business program staff located in multiple geographical locations?

If "Yes," specify the city, state, number of locations and approximate staff in each location: ⦿ ○

City	State	Number of Locations	Approximate Number of Staff
Chicago	IL	1	62
Manhattan	NY	1	72
Houston	TX	1	41
Los Angeles	CA	1	70
Oakland	CA	1	54
Sacramento (District Office)	CA	1	59
Sacramento (Central Office)	CA	1	4,582
San Diego	CA	1	42
San Francisco	CA	1	36
San Jose	CA	1	40
Santa Ana	CA	1	79
Van Nuys	CA	1	39
West Covina	CA	1	124

Organizational Change Management Methodology Overview

The EDR[2] Organizational Change Management methodology provides a structured and formal approach to prepare for, manage, and reinforce change. The methodology includes a robust toolkit of resources, activities, methods, and tools which are integrated throughout the EDR[2] Project. The methodology includes the following four phases:

1. Clarify framework to manage the organizational change management effort by creating a project plan and engaging Change managers.
2. Assess change impacts, change readiness, and resistance by analyzing stakeholders and delivering organizational change readiness assessments.
3. Translate and communicate information to EDR[2] stakeholders.
4. Evaluate the success of the organizational change management effort and reinforce the new way of doing business as a result of EDR[2].

1.12.5 Enterprise Architecture   Yes   No

Does the Agency/state entity have a documented target (or future state) enterprise architecture that provides the overall business and IT context for this proposal?   ⦿   ○

At the Franchise Tax Board (FTB), Enterprise Architecture (EA) is not a one-time project, not a document, nor any number of diagrams. EA is an ongoing program for translating business vision and strategy into effective enterprise change.

The FTB Enterprise Architecture Office (EAO) creates, communicates and improves the key principles and models that describe the enterprise's future state and enable its evolution. EA provides guidance that will improve the reliability, interoperability and sustainability of the technology, information, solutions and business at FTB. An EA program of this scope requires a strong foundation of stakeholders understanding,

sponsorship and governance.

The EAO establishes enterprise models to support FTB's key initiatives and strategic goals. The EAO is a key member of FTB's governance structure and is responsible for developing and refining EA maturity, architecture assurance, and EA deliverables. Through department wide collaboration, the EAO creates the most beneficial architectural model possible for FTB.

The EAO achieves a wide reaching organizational impact by incorporating EA into enterprise planning so the department can intelligently prepare for change and successfully transition the IT environment in manageable, planned, progressive phases.

The EAO aids FTB in realizing its desired outcomes by managing strategic alignment and balancing short term tactical choices against long term strategic intent. The EAO uses the following four pillars to evaluate and determine the "best fit" solutions for the enterprise:

Manage Cost	• Aligns strategic investment and operational costs to maintain the optimal cost of change
Manage Risk	• Evaluate risk tolerance within the enterprise. Balance risk with reward potential
Manage Flexibility	• Evaluate the need for flexibility within solutions
Manage Quality	• Find the right solution for a particular purpose

The EAO also collaborates with all business and technology areas to achieve a comprehensive perspective of departmental business and technology needs. Finally, EA governance ensures that changes are aligned with FTB's strategic target and IT principles. EA Governance allows decisions to be made based on the best interests of the enterprise.

1.12.6 Project Management

Project Management Risk Score:
| 0.1 |

1.12.7 Data Management

	Yes	No
1. Does the Agency/state entity have an established data governance body with well-defined roles and responsibilities to support data governance activities?	◉	○
2. Does the Agency/state entity have data governance policies (e.g., data policies, data standards, etc.) formally defined, documented and implemented?	◉	○
3. Does the Agency/state entity have data security policies, standards, controls, and procedures formally defined, documented and implemented?	◉	○

Enterprise Data Governance – per FTB Policy File 8801

Policy	Data is managed at the enterprise level. All data we receive, create, and maintain is an enterprise asset and is subject to use in all enterprise functions to effectively administer income tax laws, promote sound tax administration, and administer other programs entrusted to us. Data sources include: • Tax return data. • Information return data. • Other information sources made available through various paper and

	electronic methods.
	Data use adheres to the department's Information Privacy Principles and FTB Information Security Policy. We use data in a manner that treats similarly situated taxpayers consistently.
Responsibility	**Enterprise Data Management (EDM) Team** • Collaborates with Enterprise Architecture to establish standards and create processes and procedures that will meet FTB California Department of Technology statewide data integration strategies. • Collaborates with data stewards to educate business and technology areas. • Implements the Enterprise Data Governance Policy.
Benefits	**Benefits of enterprise data governance will:** • Ensure data quality through timeliness, accuracy, consistency, completeness, and reduced redundancy. • Increase business value through the awareness and efficient use of all data. • Establish a data sharing environment to provide a single, accurate, and consistent source of data. • Reduce the cost of data ownership. • Maintain and secure data in accordance with all policies, principles, and contracts to eliminate risk and liability.

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