

State of California
Franchise Tax Board

ENTERPRISE DATA TO REVENUE PHASE 2

Special Project Report

DOF 7730-209

November 2023

Table of Contents

1.0	Executive Project Approval Transmittal	3
2.0	Information Technology: Project Summary Package	3
3.0	Proposed Project Change	3
4.0	Updated Project Management Plan	6
5.0	Updated Risk Management Plan	6
6.0	Updated Economic Analysis Worksheets (EAWs)	6
7.0	Attachments	6
8.0	Appendix 1	7

1.0 Executive Project Approval Transmittal

See attached file.

2.0 Information Technology: Project Summary Package

See attached file.

3.0 Proposed Project Change

3.1 Project Background/Summary

FTB's workloads consists of seven key Business Systems of Work (BSOWs): Return Filing, Return Validation, Filing Enforcement (FE), Audit/Legal, 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 BSOWs, 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 BSOW 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.

In 2017, a second Business Process Analysis (BPA2) was conducted to:

- Validate and refresh the previously identified business opportunities in the first BPA, with emphasis on those opportunities not implemented with Phase 1 of the Tax Systems Modernization (TSM) effort: 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.

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 BSOWs (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 to other enterprise workloads. With the successful completion of EDR in 2016, Phase 1 of the TSM effort was complete.

The Enterprise Data to Revenue Phase 2 (EDR2) project constitutes the second phase of the TSM effort. 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 and Legal, Filing Enforcement, and Underpayment BSOWs. EDR2 expands the functionality for Taxpayer Folder and MyFTB, and will allow FTB to decommission multiple legacy systems.

3.2 Project Status

As of the September 2023 reporting period, EDR2 overall project health is Green. The overall project completion is 32.1%. The Schedule Performance Index (SPI) and the Cost Performance Index (CPI) show no variance. As of the September reporting period, \$241,728,840 (32.1%) of the total project cost (\$752,197,527) has been spent.

3.3 Reason for Proposed Change

In the first two plus years of the EDR2 project, FTB has found detailed functionality that required further discussions with OnCore as to the inclusion in the intended scope of the project. After several discussions, most of these items were found to be included in the intended scope and covered under the parameters of the existing contract and vendor compensation.

However, there were several items that, while the function exists in our existing operations today, were not specified clearly in the current Statement of Work (SOW) or Request for Proposal (RFP), nor clearly articulated during the Joint Applications Design (JAD) sessions post contract award. In addition, several items were identified that do not exist in our current operations today; however, the functionality is necessary to implement the intended scope. All the items included in this request are functions that must be completed to support current business operations and ensure project success in the implementation of the EDR2 scope, ensuring FTB can retire multiple legacy systems at the end of the project. This results in an increase to the primary total contract amount from \$543,172,456 to \$557,456,944.

In addition to the primary SPR cost change reason listed in the previous paragraphs, the change in the total project cost also factors in: FY21/22 – 22/23 actual reported costs; previously approved changes through the FY21/22 - 23/24 BCP processes; and the following changes pending approval through the FY24/25 BCP process (these items reflect some, but not all, of the factors that caused the net change in total project cost):

- Additional unfunded compensation payments reduced from \$29,951,095 to \$27,872,847.
 - Reason: to equal 5% of updated total contract amount, for consistency with contract language.
- IV&V and QA contract total cost projection reduced from \$16,600,705 to \$9,815,091.
 - Reason: Stage 4 projection was high-level prior to the contract being awarded. The bids we received at the time varied significantly; therefore, FTB created estimates based on the

variance. Since Stage 4, a vendor was selected and we now have a more accurate estimate of the actual need.

- Gov Cloud Services: Total Cost Projection increased from \$1,300,512 to \$3,605,776.
 - Reason: We now have more information on cloud services and our business needs than we did during Stage 4. Added Microsoft consulting contract to assist FTB with establishing and securing our cloud footprint. Added cost for Gov Cloud connectivity between FTB and CDT.
- Per direction from DOF IT Consulting Unit, FAW includes a 3% raise in 23/24, another 3% in 24/25, and another 3% in 25/26+.

3.4 Proposed Project Change

The Total Project cost in this SPR is \$766,091,572, up from \$752,197,527 approved at Stage 4 in the PAL process. The increase in total project cost of \$13,894,045 is the net additional funding need after factoring in all cost changes due to the factors listed in Section 3.3 above.

3.4.1 Accessibility

The development of the applicable information technology (IT) product(s) or service(s) required by FTB will meet Government Code 7405 applying Section 508 of the Rehabilitation Act of 1973 as amended. Section 508 encompasses Web Content Accessibility Guidelines (WCAG) 2.0; however, the EDR2 contract states that the proposed system will meet the latest WCAG guidelines, version 2.1. FTB's Accessibility Policy GPM 7015 should be adhered to as well.

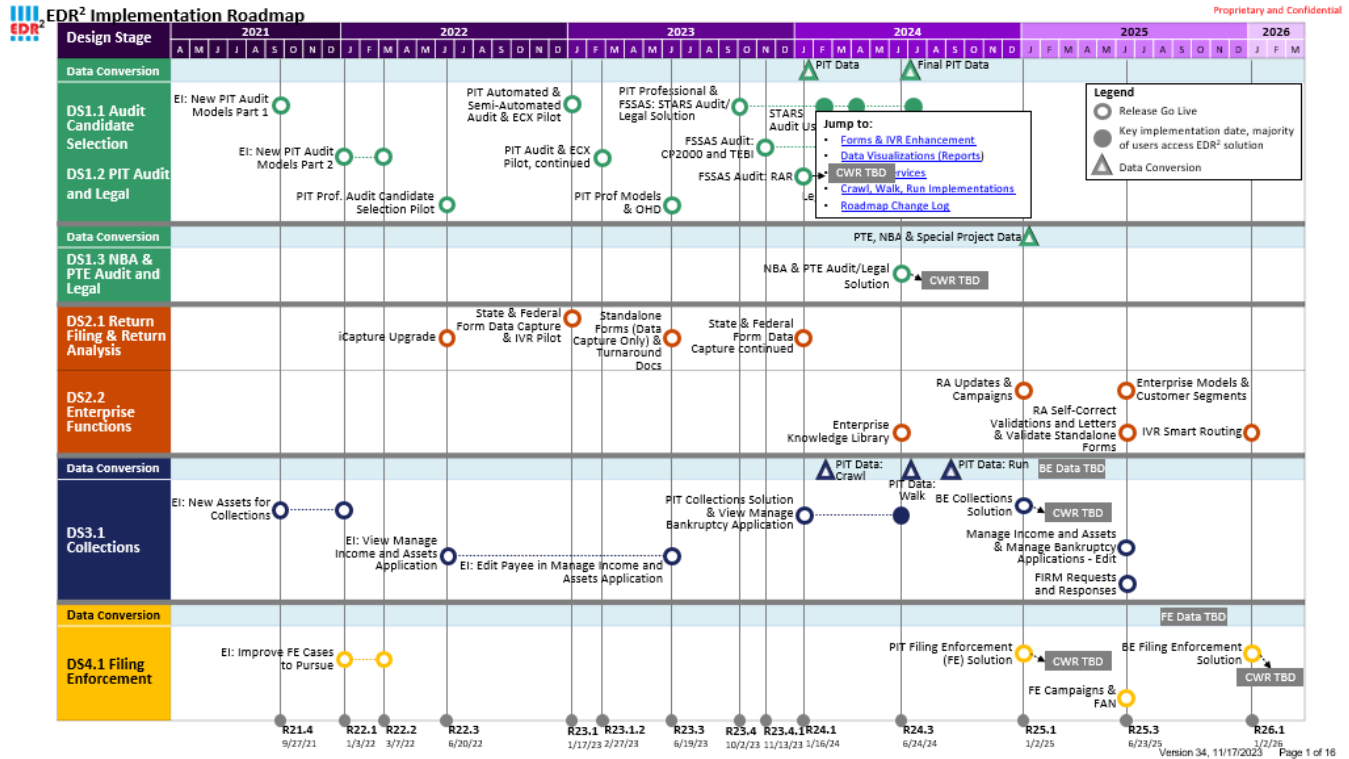
3.4.2 Impact of Proposed Change on the Project

To avoid interruptions to FTB's current business processes, impacts to taxpayers and ensure successful implementation of EDR2, these changes must be made during the current EDR2 implementation timeframe and align with the release schedule for the impacted compliance processes.

3.4.3 Feasible Alternatives Considered

There are no other feasible alternatives that would allow EDR2 to meet its objectives and requirements. The proposed project change is necessary to achieve successful implementation as planned.

3.4.4 Implementation Plan



4.0 Updated Project Management Plan
No change to Project Management Plan

5.0 Updated Risk Management Plan
No change to Risk Management Plan

6.0 Updated Financial Analysis Worksheets (FAWs)
1. FAWs from the Original S4PRA



S4 EDR2 FAW for CDT.xlsx

2. FAWs for the Proposed Change



SPR EDR2 FAW for CDT.xlsx

7.0 Attachments

- Executive Approval Transmittal
- Project Summary Package
- Original FAWs
- Proposed FAWs

8.0 Appendix 1 (if any additional information)