

STATE OF CALIFORNIA
Budget Change Proposal - Cover Sheet
 DF-46 (REV 10/20)

Fiscal Year 2022-23	Business Unit 7730	Department Franchise Tax Board	Priority No. 02
Budget Request Name 7730-033-BCP-2022-A1		Program 6280	Subprogram 6280010

Budget Request Description
 VITA Expansion

Budget Request Summary

FTB requests a one-time augmentation of \$1,217,000 million General Fund in 2022-23 to extend five limited term positions set to expire on 6/30/2022 and allow reimbursement of costs incurred by the Department of Community Services Development (CSD) for administering the California Earned Income Tax Credit (CalEITC) grants. The resources will allow FTB to administer the Voluntary Income Tax Assistance (VITA) program at expanded levels in order to support the FY 2022-23 grant funding appropriated to increase free tax preparation, and to expand marketing and outreach of CalEITC, the Young Child Tax Credit, and Individual Taxpayer Identification Number (ITIN) tax status eligibility.

Requires Legislation <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No	Code Section(s) to be Added/Amended/Repealed	
Does this BCP contain information technology (IT) components? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No <i>If yes, departmental Chief Information Officer must sign.</i>	Department CIO	Date

For IT requests, specify the project number, the most recent project approval document (FSR, SPR, S1BA, S2AA, S3SD, S4PRA), and the approval date.

Project No. **Project Approval Document:**
Approval Date:

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.

Prepared By	Date	Reviewed By	Date
Department Director	Date	Agency Secretary	Date

Department of Finance Use Only

Additional Review: Capital Outlay ITCU FSCU OSAE Dept. of Technology

PPBA	Date submitted to the Legislature
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Analysis of Problem

A. Budget Request Summary

FTB requests a one-time augmentation of \$1,217,000 million General Fund in 2022-23 to extend five limited term positions set to expire on 6/30/2022 and allow reimbursement of costs incurred by the Department of Community Services Development (CSD) for administering the California Earned Income Tax Credit (CalEITC) grants. The resources will allow FTB to administer the Voluntary Income Tax Assistance (VITA) program at expanded levels in order to support the FY 2022-23 grant funding appropriated to increase free tax preparation, and to expand marketing and outreach of CalEITC, the Young Child Tax Credit, and Individual Taxpayer Identification Number (ITIN) tax status eligibility.

B. Background/History

In 1977, FTB implemented a volunteer tax preparation program. At that time, FTB called the program the volunteer tax assistance program (VTAP). In 1988, FTB and the Internal Revenue Service (IRS) joined together in a partnership and changed the name to the statewide VITA program. The objective of the statewide VITA program is to provide free community based, easily accessible income tax assistance to individuals who need help in completing federal and state income tax returns. Because nonresident and part-year resident returns can be complex, assistance is limited to full-year residents. The statewide VITA program is recognized as an effective, proactive vehicle that provides much needed assistance to individuals with limited income, who cannot afford to pay a tax preparer or buy tax preparation software. FTB is committed to providing quality and timely education and outreach efforts. With the statewide VITA program, FTB is able to:

- Work with volunteer coordinators at various California sites.
- Work with the IRS to develop a joint volunteer packet for fairs and other events.
- Provide state tax law training to military personnel.
- Target community agencies and request sponsorship of VITA sites or volunteers.
- Provide more focused marketing.
- Publicize sites to taxpayers needing assistance.

Over the years, tax laws have grown increasingly complex and has increased demand for products and services that assist taxpayers in meeting their filing obligations. The number of tax return filings has also increased due in part to increased populations, and stimulus and relief programs tied to tax return filings. Recent legislation that added to the complexity of tax preparation and increased the questions and communications from partner organizations include: Federal Tax Reform, Health Care Mandate, American Rescue Plan Act, Golden State Stimulus I & II, Young Child Tax Credit, and ongoing enhancements to the Earned Income Tax Credit.

In addition to increased complexities in tax law, one-time grant funding by the legislator and the governor to increase education and outreach of EITC and free tax preparation over the last several years has also necessitated additional services from the VITA program for EITC filers. The chart below shows the breakdown of one time statewide funding for the past four years:

Fund Allocations	2018-19	2019-20	2020-21	2021-22
Free Tax Preparation	\$4,900,000	\$5,000,000	\$1,750,000	\$5,250,000
(CalEITC) Marketing & Outreach	\$5,000,000	\$5,000,000	\$3,250,000	\$9,750,000
Total Legislature Funding	\$9,900,000	\$10,000,000	\$5,000,000	\$15,000,000
<i>FTB self-funded limited term VITA staff</i>	\$455,000	\$548,000	\$0	\$0

Because of the Legislature's grant funding, which was distributed to community based and non-profit organizations based on a competitive process, FTB had to increase the VITA support efforts to ensure the work done by the grantees was successful. In 2018, FTB anticipated the need for additional training of volunteers and site organizers. As a result, in 2018-19 and 2019-20, FTB self-funded five limited term positions to increase outreach efforts, create video training, and update procedures.

The results of the increased staffing in 2018-19 are listed below:

Fiscal Year	2017-18	2018-19 (with 5 LTs)¹	2018-19 Growth Rate
State Outreach Meetings	6	10	60%
Training Events	23	69	200%
Individuals Trained	690	2,070	200%
e-Bus Coordination Efforts (mobile VITA sites)	25	60	140%
Webinars	0	11	100%
Military Training	9	10	10%

Footnote 1: 2018-19 was the last normal year prior the COVID 19 pandemic affected the services and events of VITA and partners.

Following is the Resource History and Workload History for the program:

Resource History
(Dollars in thousands)

Program Budget	2016-17	2017-18	2018-19	2019-20	2020-21
Authorized Expenditures	635	643	1,114	1,189	673
Actual Expenditures	620	665	870	806	608
Revenues	N/A	N/A	N/A	N/A	N/A
Authorized Positions	6	6	6	6	6
Filled Positions	5.5	5.8	8.5	7.3	6
Vacancies	0.5	0.2	-2.5	-1.3	0

Workload History

Workload Measure	2016-17	2017-18	2018-19	2019-20¹	2020-21²	2021-22³
VITA Prepared Returns Processed	298,000	319,000	320,000	235,000	173,000	TBD ⁴
State Outreach Meetings	6	6	10	11	7	4
Training Events	20	23	69	63	29	30
Individuals Trained	500	600	2,070	3,000	1,410	1,559
e-Bus Coordination Efforts (mobile VITA sites)	11	25	60	53	0	0
Webinars	0	0	11	13	13	13
Military Training	10	9	10	8	7	7

Footnote 1: The COVID 19 pandemic impacted the number of tax returns processed in 2019-20. It did not affect the other data as most of the training efforts had concluded prior to February 2020, when the pandemic took hold.

Footnote 2: The COVID 19 pandemic affected the services and events of VITA and partners.

Footnote 3: The figures are year-to-date through mid-November 2021 and continue to be impacted by COVID-19 pandemic protocols.

Footnote 4: The actual filing of tax returns starts in January 2022.

In 2021-22, FTB received five one-year limited term positions to support enhanced VITA services and sites as a result of the grant funding authorized in this year. With these additional resources, the VITA team was able to maintain services to our VITA partners and community events. These additional resources allowed FTB to support and resolve any issues with the tax preparation software and served as liaison with the Internal Revenue Service (IRS). While COVID restrictions hampered FTB's ability to participate in in-person outreach meetings, training events, and mobile VITA sites, FTB was able to rely on webinars to deliver the much needed trainings. The chart below compares activities in 2017-18 (where there was no additional resources, FTB redirected or external augmentation) with the activities of 2021-22, where FTB received limited term positions.

Fiscal Year	2017-18¹	2021-22² (with 5 LTs)	2021-22 Growth Rate
Training Events	23	30	76%
Individuals Trained	690	1,559	126%
Webinars	0	13	100%

Footnote 1: 2017-18 was a year prior Legislature's increase of education and outreach grant funding.

Footnote 2: The figures are year-to-date through mid-November 2021 and continue to be impacted by COVID-19 pandemic protocols.

With the anticipated FY 2022-23 grant funding of \$10 million, resources will be needed to deliver additional services in support of the grantees and taxpayers. The extension of these 5 limited term positions will allow FTB to maintain the expanded levels of service to the community.

C. State Level Consideration

This proposal is consistent with FTB's mission "to help taxpayers file tax returns timely, accurately, and pay the correct amount to fund services important to Californians."

FTB Strategic Plan Considerations: This proposal supports the following FTB Strategic Plan Goals:

Goal 1: Exceptional Service states: "Strive to continuously enhance our customers' experience."

- Strategy 1.1: Evaluate customer experience needs across all service channels; develop and implement solutions to meet those needs.

Goal 2: Effective Compliance states: "Fairly administer the law to ensure taxpayers file and pay the correct amount."

- Strategy 2.2: Improve data, information, and knowledge sharing with the tax community and government partners.

D. Justification

The statewide VITA team administers the program to assist low-income individuals, senior citizens, and military personnel in filing personal income tax (PIT) returns. The program provides the following types of assistance:

- personal income tax
- tax counseling for the elderly (TCE)
- VITA - military

The VITA volunteer program provides free assistance to individuals who need help in completing federal and state income tax returns. Since fiscal year 2018-19, one-time grant funds have been appropriated to support the efforts of community-based organizations and non-profits to maximize program participation for both the federal EITC and CalEITC claims. The grant funding also seeks to expand free tax preparation sites and services throughout California. As a result, FTB has enhanced the VITA program to support the additional volunteers and VITA sites funded by the grants. These resources are requested to ensure FTB is able to support these local entities receiving grant funds.

Additionally, to support the distribution of grant funding, FTB has entered into an Interagency Agreement (IA) with the Department of Community Services and Development (CSD) to issue and manage the grants awarded to various nonprofit and community based organizations. The IA includes fees for administering the grants and FTB is responsible for reimbursing CSD for these costs.

In 2021-22, FTB received funding for both of these costs – staff resources, and funding to cover administrative costs for CSD. In other years, FTB was able to redirect some resources to cover these costs but FTB is unable to continue absorbing these costs without impacting other workloads.

The proposed budget for 2022-23 includes \$10,000,000 in one time funds for grants to support CalEITC for education and outreach, free tax preparation services, and ITIN assistance. The extension of these five limited term positions and the funding to cover CSD's administrative costs

will allow FTB to continue to support sites through additional trainings and technical support, consistent with the intent of the grant. FTB would note that if grant funds were to become an ongoing budget appropriation, these resources would also be needed as ongoing.

With these resources, the statewide VITA team supports the grantees by ensuring they understand the services and support activities FTB provides. The requests for VITA training and support has increased beyond the scope of what existing permanent staff can manage. As site coordinators prepare for filing season, new sites require more assistance. This increase in training and assistance will be in addition to that provided to established sites.

The statewide VITA program primarily uses Associate Operations Specialist (AOS), Staff Operations Specialist (SOS), and Senior Staff Operations Specialist (SrOS) to administer the program and assist taxpayers. Administrator I resources are used to manage and oversee the program and staff work. In 2021 -22, FTB received 4 limited term staff and 1 limited term Administrator position to support additional activities due to grant funding. To continue supporting CalEITC and VITA efforts at the expanded levels, FTB requests the following positions:

Staff Operations Specialist – two one-year limited-term positions

These staff members are coordinators and are responsible for outreach and training throughout California. The primary responsibilities for the coordinator include:

- Performing targeted outreach to counties throughout the state.
- Establishing and maintaining relationships with existing and new counties, non-profits, colleges, senior centers and other state departments.
- Coordinating pre-season meeting presentations with each contact.
- Coordinating training sessions for annual law and federal VITA software updates pertaining to California.
- Facilitating training sessions as the trainer or through Volunteer Program Coordinators (VPCs).
- Training the VPCs, military non-profits, colleges and other internal trainers.
- Collaborating with internal FTB representatives, the IRS and American association of Retired Persons (AARP) contacts.
- Acting as the VITA Subject Matter Expert (SME) for federal VITA software, it and Business Entity (BE) tax laws.
- Responding to VITA hotline calls.
- Supporting super Saturday events as the SME (technical support, quality review and return transmittals).

Associate Operations Specialist – two one-year limited-term positions and one one-year upgraded position

The VITA team also has AOS staff responsible for the following tasks:

- Acting as a VITA SME for PIT and BE tax law and federal VITA software.
- Updating the statewide VITA program's manual, including changes to federal VITA software.
- Coordinating training classes for VITA volunteers.
- Supporting super Saturday events (technical support, quality review and tax return transmittals).
- Assisting in coordination and presentation of statewide training.
- Maintaining contact lists for military, counties, grantees, etc.

- Coordinating and distributing site listings from the IRS to the State Interagency Team (SIT) partners.
- Responding to VITA hotline calls.

Upgrading a Staff Services Analyst to Associate Operations Specialist staff will support the increased workload generated from existing outreach efforts and increasing complexity of tax law. Having sufficient staff members will allow the VITA team to be more flexible in meeting training requests and in assisting customers throughout the filing season by providing assistance.

Administrator I – one one-year limited-term position

Prior to the 2021-22 augmentation, an Administrator I managed the VITA team and the technical support team. However, augmentation of the VITA team with the additional 4 limited term staff overextended the Administrator I beyond an acceptable span of control. To effectively manage and administer the VITA program at expanded levels, an Administrator I position was added to manage staff and daily program activities of the technical support team. This request to extend the Administrator I position will enable effective continued oversight and program management of the VITA and technical support team.

Consultant and professional services – one-time funding for \$548,000

FTB partnered with the CSD to utilize their grant funding infrastructure to issue and manage the grants awarded to various nonprofit and community based organizations. This coordination allowed the state to administer the grants most effectively and efficiently and ensure that nonprofit and community based partners were able to successfully market CalEITC and free tax preparation service. In 2021-22, FTB received one-time funding to reimburse CSD for administering the CalEITC grant. Therefore, FTB is requesting one-time funding to support this administrative cost.

E. Outcomes and Accountability

Based on the approval of grant funding targeted at expanding free tax preparation, FTB expanded support for the statewide VITA program to ensure grantees were successful.

The Customer Service Action Committee (CSAC) establishes standards for appropriate levels of service and considers options on how best to meet those performance levels. The implementation and ongoing progress of this proposal will be monitored by the CSAC, who will regularly report to executive management. While the action committee is also tasked with monitoring the use of resources associated with this proposal, the ultimate responsibility remains with the department's Chief Financial Officer.

Below are the projected outcomes for the Statewide VITA program:

Projected Outcomes

Workload Measure	2022-23	2023-24¹	2024-25	2025-26	2026-27
VITA Prepared Returns Processed	294,000	320,000	320,000	320,000	320,000
VITA Prepared Returns with EITC Claimed	105,840	115,200	115,200	115,200	115,200
State Outreach Meetings	8	11	11	11	11
Training Events	40	69	69	69	69
Individuals Trained	2,500	3,000	3,000	3,000	3,000
e-Bus Coordination Efforts (mobile VITA sites) ²	30	40	40	40	40
Webinars	13	13	13	13	13
Military Training ³	10	10	10	10	10

Footnote 1: Assumption that FTB will receive 5 permanent positions instead of one-year LT.

Footnote 2: VITA Team does not coordinate the e-Bus service. Public Affair oversees the e-Bus service. Assumption that FTB will resume e-Bus service.

Footnote 3: Military Training is based on military base capabilities and interest regardless of VITA resources.

F. Analysis of All Feasible Alternatives

Alternative #1: Augment one-time FTB's budget by \$1,217,000 million General Fund in 2022-23 to fund five positions to administer the Statewide VITA program and fund-reimbursement of costs to CSD to administer the grant process.

This alternative will provide the necessary resources to administer the Statewide VITA program and continue administering education, outreach and assistance in preparing state income tax returns at the expanded service levels. Statewide VITA resources will increase self-compliance for low income, seniors, non-English speaking and disabled taxpayers. This alternative includes funding to reimburse CSD for administering the CalEITC grants.

Alternative #2: Permanently augment FTB's budget by \$1,217,000 million General Fund in 2022-23 to fund five positions to administer the Statewide VITA program and fund-reimbursement of costs to CSD to administer the grant process.

If the final state budget includes grant funding ongoing, this alternative will provide the necessary resources to administer the Statewide VITA program and continue administering education, outreach and assistance in preparing state income tax returns at the expanded service levels. Statewide VITA resources will increase self-compliance for low income, seniors, non-English speaking and disabled taxpayers. This alternative includes funding to reimburse CSD for administering the CalEITC grants.

Alternative #3: Deny the proposal.

One of the purpose of the CalEITC grant funding is to increase awareness of the VITA program and support California taxpayers. This alternative will negatively impact FTB's ability to meet its Strategic goal to improve customer service and not align with the administration's CalEITC intentions. If the requested resources are not provided, impacts include:

- Grantees will be unsupported as they seek to expand VITA sites and service.
- Fewer Community Events (in-person or hybrid).
- Californian's who can benefit most from using VITA services may remain unaware of this free service and will pay someone to file their return thus reducing the financial value of the CalEITC credit they earned.
- Increased calls to FTB's Taxpayer Services Center Section.
- Increased contacts to FTB Field Offices.
- Increase in return errors, fallout, and notices.
- Unprepared volunteers at VITA sites.

G. Implementation Plan

June 2022– All documents to establish the limited term positions are prepared and approved by the FTB Budget Officer and forwarded to Department of Finance.

June 2022 – Department of Finance notifies FTB of positions approval.

July 2022 –Limited Term positions are established and FTB begins hiring.

H. Supplemental Information

None.

I. Recommendation

Alternative #1: Augment one-time FTB's budget by \$1,217,000 million General Fund in 2022-23 to fund five positions to administer the Statewide VITA program and fund-reimbursement of costs to CSD to administer the grant process.

This alternative provides the resources necessary to manage the statewide vita program. This would ensure that CalEITC goals are met and the Statewide VITA team continues to provide the expected levels of customer service and support. This alternative includes funding to reimburse CSD for administering the CalEITC grants.

BCP Fiscal Detail Sheet

BCP Title:

BR Name:

Budget Request Summary

Personal Services

PENDING BOARD APPROVAL

**2022-23 VITA SFL
Workload Measure**

2022-23 VITA SFL	2016-17	2017-18	2018-19	2019-20¹	2020-21²	2021-22³	2022-23	2023-24⁴	2024-25	2025-26	2026-27
VITA Prepared Returns Processed ⁵	298,000	319,000	320,000	235,000	173,000	TBD	294,000	320,000	320,000	320,000	320,000
State Outreach Meetings	6	6	10	11	7	4	8	11	11	11	11
Training Events	20	23	69	63	29	30	40	69	69	69	69
Individuals Trained	500	690	2,070	3,000	1,410	1,559	2,500	3,000	3,000	3,000	3,000
e-Bus Coordination Efforts (mobile VITA sites) ⁶	11	25	60	53	-	-	30	40	40	40	40
Webinars	-	-	11	13	13	13	13	13	13	13	13
Military Training ⁷	10	9	10	8	7	7	10	10	10	10	10

1: The COVID 19 pandemic impacted the number of tax returns processed in 2019-20. It did not affect the other data as most of the training efforts had concluded prior to February 2020, when the pandemic took hold.

2: The COVID 19 pandemic affected the services and events of VITA and partners.

3: The figures are year-to-date through mid-November 2021 and continue to be impacted by COVID-19 pandemic protocols.

4: Assumption that FTB will receive 5 permanent positions instead of one-year LT.

5: The actual filing of tax returns in 2021-22 starts in January 2022.

6: VITA Team does not coordinate the e-Bus service. Public Affair oversees the e-Bus service. Assumption that FTB will resume e-Bus service in 2022-23 and ongoing.

7: Military Training is based on military base capabilities and interest regardless of VITA resources.

Section Title	Classification	Resource Type	Duration	Effective Date	Tasks (workloads)	Total Hours	New Positions Requested	Risks/Impacts (if position(s) not approved)
Correspondence, Analysis, Support, and Education Section (CASES)	Staff Operations Specialist	Limited Term	One-Year	07/01/202	Coordinate training; support community events;	3,700	2	Degraded training and support for community events; less expansion to new communities and partners;
Correspondence, Analysis, Support, and Education Section (CASES)	Associate Operations Specialist	Limited Term	One-Year	07/01/202	Perform and assist training; support community events;	3,700	2	Degraded training; fewer community events; less availability for support of activities;
Correspondence, Analysis, Support, and Education Section (CASES)	Administrator I	Limited Term	One-Year	07/01/202	Supervise, report on, and coordinate team activities.	1,850	1	Less coordination; inefficient operations
						9,250	5	