

STATE OF CALIFORNIA
Budget Change Proposal - Cover Sheet
 DF-46 (REV 07/23)

Fiscal Year 2024-25	Business Unit Number 7730	Department Franchise Tax Board
Hyperion Budget Request Name 7730-004-BCP-2024-GB		Relevant Program or Subprogram 6280/6290/6295/6305

Budget Request Title
 Campus Security Guards

Budget Request Summary

The Franchise Tax Board (FTB) requests \$2,860,000, \$2,771,000 in General Fund and \$89,000 in Special Fund, in Fiscal Year (FY) 2024-25 and ongoing to fund increased costs for the Central Office security guards and procure two security guards for the Santa Ana field office to obtain qualified security for monitoring and protecting FTB's vital infrastructure, work processes, and staff.

Requires Legislation (submit required legislation with the BCP) <input type="checkbox"/> Trailer Bill Language <input type="checkbox"/> Budget Bill Language <input checked="" type="checkbox"/> N/A	Code Section(s) to be Added/Amended/Repealed
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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
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For IT requests, specify the project number, the most recent project approval document (FSR, SPR, S1BA, S2AA, S3SD, S4PRA), the approval date, and the total project cost.

Project No. **Project Approval Document:**

Approval Date: **Total Project Cost:**

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

Principal Program Budget Analyst	Date submitted to the Legislature
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A. Problem Statement

Security and safety are critical functions that protect the Franchise Tax Board (FTB)'s facilities, equipment, and data, and ensure the safety of its employees, vendors, and visitors. The FTB is incurring increased costs for security guards for the Central Office Campus ("Central Office") and the Santa Ana field office. As a result, FTB requests \$2,860,000, \$2,771,000 in General Fund and \$89,000 in Special Fund, in Fiscal Year (FY) 2024-25 and ongoing to fund increased costs to obtain qualified security for monitoring and protecting FTB's vital infrastructure, work processes, and staff.

FTB is designated as critical infrastructure to the State, so there is increased risk of potential harm to any one of its facilities. An internal or external threat could cause disruption to FTB's operations, thus adversely affecting its ability to process returns, issue refunds, or collect taxes. Inadequate security guard coverage increases risk of security incidents, potential campus closures, and unauthorized access to confidential taxpayer information.

FTB's Privacy, Security, and Disclosure Bureau (PSDB) develops security policies and procedures for the safety of FTB's employees, and to ensure the confidentiality, integrity, and availability of FTB's information systems and the information they contain. An essential part of PSDB is FTB's Worksite Security Section (WSS), which is responsible for the physical protection of FTB's facilities, equipment, employees, vendors, and visitors. This is accomplished through:

- Oversight, response, and enforcement of worksite security incidents.
- Preventing unauthorized building accesses through administration and maintenance of the physical access and alarm monitoring system for FTB Central Office and FTB offices throughout the nation.
- Reacting immediately to threats, physical attacks and/or vandalism on FTB's campus and district offices.
- Ensuring the necessary resources are available to protect FTB physical assets and employees through active oversight, management, and administration of the security guard contract.
- Ensuring appropriate and up to date policies, procedures and practices are in place to protect FTB's employees, assets, and data.

FTB's facilities consist of the Central Office, nine in-state field offices, and three out-of-state field offices.

Central Office Security

Approximately 6,000 FTB employees work at the Central Office campus, which is located on approximately 87 acres of state-owned property. It is comprised of seven buildings with over one million square feet of occupied office and warehouse space as well as over 4,300 parking spaces. FTB is designated as a critical asset for the State and as such has critical operational infrastructure at this location. The Central Office has a security command center and posts that are required to be filled by unarmed security guards on a 24/7 basis.

Due to the unique environment and extensive facilities, FTB requires security guards to possess specialized skills, knowledge, experience, certifications, and the ability to preserve employee safety and protect critical infrastructure and confidential information. FTB contracts with third-party vendors to obtain security guard services that meet these qualifications.

The duties performed by FTB security guards are extensive and include the following:

- Monitoring FTB's Security Command Center and operating its extensive and complex security system, which includes building and parking lot cameras.
- Monitoring entry and exit points as employees, visitors, and vendors enter and exit the buildings to ensure authorized access.
- Responding, as directed, to all security incidents, such as accidents, breaches, or disturbances.
- Providing high visibility patrols of the campus on foot and in vehicles.
- Contacting local law enforcement or emergency personnel, as appropriate.
- Identifying and reporting any suspicious activities, alarms, incidents, and crimes.

Santa Ana Field Office Security

FTB leases office space on the 3rd and 4th floors of a privately-owned building located in Santa Ana, California. The lease agreement does not include security guard services. There are approximately 90 FTB employees that occupy approximately 20,000 square feet at the Santa Ana field office. Staff perform collection and audit activities at this location. It is one of five field offices that provides public counter services to taxpayers and is the only FTB facility without on-site security guards.

As a result of safety concerns expressed by Santa Ana's field office staff, in 2021, WSS conducted a *Site Security Assessment* of the office space, building perimeter, common areas, interior building spaces, and on-site parking facility and identified multiple security risks.

To mitigate these risks, WSS recommended the presence of unarmed security guards for the Santa Ana field office. Based on the assessment and recommendation, in 2023, FTB executed a security guard contract for the Santa Ana field office, which provides a physical and visible deterrent to internal and external threats. FTB is unable to continue to fund these increased costs without operational impacts.

B. Justification

FTB is responsible for administering the income and franchise tax laws for the State of California. Staff process tax returns and payments, issue refunds to Californians, conduct audits and filing enforcement actions, collect debts owed the state and support numerous service functions allowing for each of these compliance activities to occur. As a result of FTB's efforts, in FY 2022-23, FTB processed more than 21.6 million tax returns, over 7.8 million payments, responded to more than 2.8 million telephone calls, serviced over 77 million internet contacts, and collected about \$125 billion in revenue, representing approximately 74 percent of California's General Fund revenue¹. The General Fund is utilized to fund necessary services for all Californians. FTB employees are vital to the processing of tax returns, assisting taxpayers and collecting revenues for the General Fund.

Central Office Security

A new contract for security guard services has been recently executed with higher costs. Increased costs were the result of changes to the minimum wage amount in California, industry wide compensation levels for workers with the necessary skill sets, and significant recruitment and retention issues presenting in the last several years due to a non-competitive

¹ Revenue figures based on the 2022-23 Cash Report reported in the Department of Finance's July 2023 Finance Bulletin.

pay and benefit package for these services. These services are critical to provide appropriate security levels to protect staff and ensure that critical operations are not delayed or stopped due to security incidents. FTB has committed to self-funding for the FY 2023-24 but the ability to self-fund ongoing is not feasible absent modifications to our operations. The funding requested in this proposal will cover the increased contract costs in the amount of \$1,445,000 for FY 2024-25 and ongoing.

Sufficient baseline funding will allow FTB to maintain adequate security guard staffing to protect its facilities, equipment, data, and employees, all of which are critical to FTB's mission of helping individuals file their tax returns and pay the correct amount of tax due and are deemed as mission critical assets to the State. The funding will also cover additional guard staffing for special or unexpected events, including FTB Board meetings, site visits, or in other situations, such as when a door is non-operative and additional coverage is needed.

Increased funding for security guards will contribute to the overall safety and security measures that protect FTB's campus, authorized personnel, and confidential taxpayer and non-tax information which FTB processes and stores. It will allow for security guards to respond to campus incidents and emergencies in a timely manner. Additionally, the presence of security guards at critical locations will serve as a physical and visual deterrent.

Santa Ana Field Office Security

FTB has contracted with a third-party vendor to acquire security guard services. FTB will self-fund for FY 2023-24 but is requesting funding in the amount of \$232,000 for FY 2024-25 and ongoing as FTB's current budget allocation is not able to absorb ongoing funding increases associated with these costs without impacting existing business operations.

The additional funding will provide two security guards for the Santa Ana field office to ensure the protection of taxpayers seeking assistance at our public service counter, employees, assets, and data.

One of the greatest risks identified in WSS's *Site Security Assessment* was unauthorized access to the building. Building management is responsible for issuing key cards to FTB staff that allow access to common areas, the parking garage, and the leased office spaces. Although key cards are utilized to help control access to certain areas of the building, staff have reported multiple incidents of unauthorized individuals entering their suite, unnoticed, by following closely behind someone who has accessed the entry point. For example, in October 2019, an unauthorized individual entered the office and stole equipment and other personal effects. This incident was reported to the Santa Ana Police Department.

As part of the security guard's duties, they monitor the entry and exit of personnel at the Santa Ana office. They inspect the facility to ensure doors and windows are secure, protecting state property and deterring theft by physical presence while making security checks throughout the building and parking garage.

The requested funding will provide the ongoing presence of security guards which discourages individuals with intent to cause harm or engage in criminal behavior on or around the premises and ensures the safety of employees and taxpayers who visit the public counter to receive assistance. It also limits the risk of potential security breaches that can compromise the security of confidential taxpayer information. Without increased funding, FTB will need to reconsider the level of services FTB can afford with our baseline budget which will continue to allow or create an unsafe working environment, and causing unnecessary and undesirable risks to our operations, staff, assets, and taxpayers. FTB may also need to identify business processes that can be accomplished with fewer staff to redirect funds to cover current contract costs, which can potentially have negative operational impacts.

The primary function of the FTB is to administer the Revenue and Taxation Code (R&TC). Tax policy is determined by tax laws enacted by the Legislature, and it is FTB's duty to correctly

apply the laws and to perform in a fair and impartial manner. The California Taxpayer's Bill of Rights Act codified many existing FTB procedures, established a Taxpayer's Rights Advocate, and clarified rights for all California taxpayers and FTB's obligations to the taxpayers. The policies and principles guiding FTB ensures the R&TC will be administered with fairness and equity for all California taxpayers.

As a result, for this proposal, FTB is not aware of any equity issues this proposal addresses or that this proposal would result in un-equitable impacts.

C. Departmentwide and Statewide Considerations

FTB's administration of California's income tax laws are facilitated by a committed focus to fulfilling FTB's Strategic Plan. Within the Strategic Plan, FTB's Mission is "to help taxpayers file timely and accurate tax returns and pay the correct amount to fund services important to Californians". To accomplish this mission, FTB established four Strategic Goals and Strategies, and has proven successful by considering them while maintaining FTB's Foundational Principles and Values. This BCP request aligns with FTB Strategic Goal 4:

Goal 4: Operational Excellence states the FTB will "Optimize our processes, products, services, and resources to better serve our internal and external customers." Providing on-site security for the Central Office and Santa Ana field office allows FTB to mitigate emerging and evolving threats to manage risks and protect customer privacy and security and strengthen its physical security to ensure the protection of employees and mission critical operations.

D. Outcomes and Accountability

This proposal will ensure security guard service levels are adequate for protecting FTB's facilities, taxpayers visiting to seek assistance, data, and employees. All of which are critical to FTB's mission of helping individuals file their tax returns and pay the correct amount of tax due.

The management of resources received from this proposal will be the responsibility of the Chief of the Administrative Services Division or their delegate. The fiscal oversight of the resources is the responsibility of the Chief Financial Officer.

The FTB will continue to carry out its mission in a manner that is fair, equitable and consistent with the California Taxpayer's Bill of Rights Act.

E. Implementation Plan

Central Office: A new contract has been executed for ongoing security guard needs.

Santa Ana Field Office: FTB has contracted with a third-party vendor to acquire security guard services.

F. Supplemental Information (If Applicable) None

Pending Board Approval