

STATE OF CALIFORNIA

FRANCHISE TAX BOARD

PUBLIC MEETING

TUESDAY, DECEMBER 10, 2024

10:00 A.M.

GERALD GOLDBERG AUDITORIUM

9646 BUTTERFIELD WAY

SACRAMENTO, CALIFORNIA

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APPEARANCES

BOARD MEMBERS

MALIA COHEN
State Controller
(Chairperson of the Board)
(Afternoon session only)

HASIB EMRAN
Deputy State Controller, Taxation

SALLY J. LIEBER
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TERI OLLE
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MARK STIVERS
California Housing Partnership

SAM WILKINSON
GRACE-End Child Poverty in California

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SACRAMENTO, CALIFORNIA

TUESDAY, DECEMBER 10, 2024, 10:03 A.M.

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DEPUTY STATE CONTROLLER EMRAN: Good morning.

Good morning, everyone.

My name is Hasib Emran. I'm the California
Deputy State Controller for Taxation.

Joining here to my left with Chair of the State
Board of Equalization Member Sally Lieber; and at a
later period in this meeting, we'll have a
representative from the Department of Finance joining
us; and also the Controller Malia Cohen will be joining.

So at this time, we can go ahead and get started.
We're going to try to push through. We have a very,
very busy schedule.

So this is the scheduled time for the meeting of
the Franchise Tax Board.

Will the Board Liaison please call the roll to
determine if a quorum is present.

MS. RUBALCAVA: Member Lieber.

MEMBER LIEBER: Here.

MS. RUBALCAVA: Deputy State Controller Hasib
Emran.

DEPUTY STATE CONTROLLER EMRAN: Here.

So at least two members or their designated

1 representatives being personally present, there's a
2 quorum, and the Franchise Tax Board is now in session.

3 If you can all please stand, if you may, and join
4 me for the Pledge of Allegiance.

5 We may begin --

6 (Pledge of Allegiance was recited in unison.)

7 DEPUTY STATE CONTROLLER EMRAN: I want to thank
8 you, everyone.

9 I'm just going to have to go over a few
10 housekeeping matters. So good morning. Welcome to the
11 Franchise Tax Board's meeting and the Annual Taxpayers'
12 Bill of Rights hearing.

13 The public has a right to comment on each agenda
14 item. If there are any members of the public wishing to
15 speak on an item, please come forward when that item is
16 called, and you will have three minutes to address the
17 Board.

18 For today's meeting, members of the public who
19 wish to comment via teleconference, please call (844)
20 867-6169 and enter the access code 1187522. Please be
21 aware that there's a short delay between the web live
22 stream and the live event. If there are members of the
23 public wishing to speak on an item, and you are using a
24 translator or a translator service, you will have six
25 minutes to address the Board. All speakers will be

1 asked to identify yourself for the record.

2 So the first item on this agenda is quite an
3 exciting one. It's a discussion on the Work, Assets,
4 and Safety Net with presentations from several esteemed
5 guests who will open this item up for public comment
6 after all the presentations on this item have been
7 concluded.

8 So before we begin, I would like to invite member
9 Lieber to make any comments she would like to provide
10 and thank her for her leadership in this area.

11 Member Lieber, the floor is yours.

12 MEMBER LIEBER: Thank you so much, Deputy
13 Controller.

14 I would like to begin today by thanking our
15 Controller, Malia Cohen, for her assistance in setting
16 today's hearing on Work, Assets, and the Safety Net.
17 And also our Deputy Controller for his assistance.

18 I would like to also thank our Executive Officer,
19 Selvi Stanislaus, and her staff for their assistance and
20 staff from our Board of Equalization, District 2 Office,
21 for organizing this hearing; as well as all of our
22 valued presenters for the years of work they have put
23 into becoming experts and for being here today.

24 The Franchise Tax Board's mission is to help
25 taxpayers file timely and accurate tax returns and pay

1 the correct amount to fund services important to
2 Californians.

3 As members of the Franchise Tax Board, we are
4 responsible for the collection of over \$116 billion in
5 personal income tax and over \$37 billion in corporate
6 taxes.

7 The FTB has a duty to examine the impact of these
8 revenues on critical services that are important to
9 California, including Californians' Earned Income Tax
10 Credit and the Young Child Tax Credit and other services
11 that affect the lives of working Californians daily.

12 These revenues can and must serve as a safety net
13 to millions of Californians who struggle, despite the
14 promise of living in the world's fifth largest economy.

15 Our due diligence regarding these revenue
16 resources is particularly important in these times in
17 increasing income inequality.

18 In 2003, nearly a third of Californians had
19 incomes that may be considered to be poor or near poor.

20 Regarding income inequality, according to data
21 compiled by the Public Policy Institute of California,
22 in 2002, families at the top of the income distribution,
23 the 90th percentile, earned ten times more than families
24 at the 10th percentile. And only seven other states had
25 wider income gaps than California.

1 It is with the understanding of the significant
2 income inequality that we have called for this hearing.

3 In prior meetings of the Franchise Tax Board, we
4 have discussed an all-of-government approach to
5 increasing participation of lower-income individuals and
6 families in the California and Federal Earned Income Tax
7 Credits and related tax credit programs.

8 By an all-of-government approach, we mean
9 engaging every agency of state and local government that
10 has regular interaction with individuals and families,
11 who are potentially eligible for CalEITC, in year-round
12 outreach and referrals for filing assistance.

13 It is our moral obligation to those Californians
14 who provide their labor or are simply a key part of our
15 communities and deserve our active responses to their
16 pressing financial needs.

17 This hearing will highlight the impact of the
18 crisis of income inequality on work, assets, and the
19 safety net. We will have the opportunity to hear from
20 experts, who are on the front line of fighting to
21 decrease income inequality and increase opportunity for
22 all Californians.

23 And throughout, we must remain aware of our duty
24 as custodians of critical revenue resources, to ensure
25 that California can collect and distribute the revenues

1 we need to significantly improve the economic health of
2 our citizens and communities.

3 The purpose of this hearing is to gather
4 information and to inform our decisions going forward on
5 the impact of tax collection and distribution policies
6 on work, assets, and the safety net.

7 I look forward to hearing from our participants
8 as they speak and make a record regarding the challenges
9 and opportunities we face as a state and in our
10 communities.

11 Thank you.

12 DEPUTY STATE CONTROLLER EMRAN: Thank you, Member
13 Lieber.

14 And I want to thank and recognize you for your
15 leadership. I know it is something very meaningful to
16 you and a lot of hard work to put this hearing together.

17 So even in this time of economic growth, with
18 California as the fifth largest economy in the world,
19 with a nearly \$4 trillion GDP, where wages have risen
20 and unemployment is at record low, too many people are
21 left out because they prefer needing -- not because they
22 prefer needing government help, but because they face
23 significant barriers to quality, employment, and a lack
24 of affordability, the lack of affordable housing, the
25 cost of owning, the cost of renting, the cost of living.

1 All factors that may lead to poverty and homelessness.

2 Some families don't have access to quality
3 childcare or paid leave to deal with an illness or care
4 for an elderly parent. Some lack the skills or
5 education needed for quality jobs. Others have jobs but
6 don't earn enough to make ends meet, like millions of
7 working poor, who must take a second or third job.

8 Some made the mistakes in the past and can't even
9 get a second chance at life. And a change must come and
10 we must start here today.

11 The Controller and I are both very proud of the
12 work of Franchise Tax Board in administering tax credits
13 to help lift those out of poverty. It's been a proven
14 anti-poverty measure.

15 And if our goal is to support work to help people
16 escape poverty, then people don't need more penalties or
17 requirements or burdensome paperwork. Working class
18 families need assurance of childcare and paid family
19 medical leave that we know substantially increases
20 workforce participation among women and young people.

21 People need a safe place to call home, nutritious
22 food to eat, reliable transportation, quality public
23 education, and healthcare to sustain the stability
24 needed to work successfully.

25 And just from a personal note, I'm a young

1 product of what poverty is and the system of growing up
2 in the system. Both my parents worked minimum wage
3 jobs. My mother was working at the local Jack in the
4 Box.

5 And it's been an honor to devote my career, like
6 we do on this Board, to help those who are struggling to
7 overcome systematic barriers with the education and
8 jobs, childcare, paid family leave, and medical leave,
9 and others, so they can support and thrive to live that
10 California dream, much like I'm living the dream right
11 now.

12 So I want to thank you all. And we're going to
13 have a good, great, great set of hearings today.

14 And we can move on to the next Item B, Framing
15 the Issue.

16 And if there's Amy Everitt from the President
17 [sic] of the Golden State Opportunity, you can please
18 step forward.

19 MEMBER LIEBER: A note about -- there was a
20 significant traffic issue in the Bay Area today. And I
21 think that Ms. Everitt is just a few minutes away. But
22 we can go on.

23 And Dr. Corey Jackson has a 10:30 time certain.

24 I think Ms. Everitt may have just arrived. And,
25 Mr. Chair, if I could give you the speaker bios.

1 DEPUTY STATE CONTROLLER EMRAN: I appreciate it.

2 So Ms. Amy, I know you just walked in. But if
3 you are ready, you can come right up to the podium.

4 She's a long-time leader in advocacy in
5 California, particularly in the policy area of women's
6 health, the fight to stave off climate destruction and
7 in civic engagement to foster equity.

8 And I understand, Ms. Amy, you want the full ten
9 minutes, no questions, at this time. So when you are
10 ready, we can proceed with the ten-minute clock.

11 Thank you.

12 MS. EVERITT: Fabulous. Thank you so much.

13 And apologies for being late. You can never
14 count on traffic. But it is a real pleasure to be here.

15 I'm Amy Everitt. I'm the President of Golden
16 State Opportunity.

17 Next slide.

18 Is that me?

19 There we go. Today I'm going to share with you
20 the information about what it is like to live with
21 financial insecurity in California.

22 A hundred percent of what I'm going to share with
23 you is based on our conversations with people who are
24 having this lived experience from the Oregon border all
25 the way down to Mexico.

1 Golden State Opportunity works to create
2 financial security for low-income workers. We have had
3 ten years. We're celebrating our tenth-year anniversary
4 both of Golden State Opportunity and the CalEITC.

5 That record of accomplishment includes an
6 annually reaching 5.5 million low-income workers and
7 putting roughly \$10 billion back in their pockets every
8 year through both state and federal tax credits. With
9 CalEITC, in 2024, the record of \$1.4 billion, just from
10 the CalEITC.

11 In the last few years, we have expanded the
12 CalEITC to include foster youth and ITIN holders. I am
13 really excited to share with you that foster youth have
14 experienced a 17 percent increase in what they are
15 claiming; and a 3 percent increase from ITIN holders.

16 Okay. So there are four main challenges to folks
17 who are working hard and still struggling to get by.

18 The first hard truth I'm going to talk with you
19 about is the fact that work isn't working because wages
20 are not keeping up. We have wages that are at this
21 level. We have a cost of living at this level.

22 And what we are -- and what I'm here to talk
23 about today is what is in between that gap. How do we
24 help people for their basic needs? It should be noted
25 that 34 percent of Californians lack sufficient income

1 to meet their basic needs. Okay. As I said, wages are
2 not keeping up.

3 When we look at what it means to be low income,
4 I'm going to use my own home city of San Francisco. It
5 looks different than you might think.

6 The reality is, in order to be considered middle
7 class in San Francisco, you have to make \$91,000 a year,
8 according to SmartAsset.

9 In order to qualify for CalFresh, our food stamp
10 program, as a single-person household, you cannot make
11 more than \$19,758 annually. You need a \$91,000 to live
12 a middle-class life. In order to qualify for food
13 stamps, you can't make more than \$20,000.

14 To put that in more context, someone who is
15 working 40 hours a week at a minimum wage in San
16 Francisco would earn nearly twice that amount at
17 \$37,600. These thresholds don't even match the region's
18 measure of poverty.

19 To be considered low income in the Bay Area in
20 general, a family of four must make \$149,000. That same
21 family would be cut off from CalFresh assistance at
22 \$40,000.

23 Again, the cost of living, wages, and even some
24 of our public benefits are not meeting that gap.

25 And so we have work not working. And we have a

1 safety net program that also isn't working, and it's
2 based on a lot of outdated measures.

3 The California Health Care Foundation Report
4 recently reported on rates of disenrollment for Cal --
5 for Medi-Cal. During COVID, as you probably know,
6 re-enrollment criteria were waived, and people stayed on
7 it.

8 Once that expired, over 2 million low-income
9 Californians were disenrolled, and 90 percent of those
10 2 million folks were disenrolled simply because they
11 missed a deadline or some other procedural reason.

12 So not only are people working and not making
13 enough to make basic -- meet their basic needs. We have
14 programs that you have to make so little you can barely
15 make it, and we have programs that are now hard to stay
16 in, hard to enroll in, and hard to stay in.

17 We have tools to make these systems better. And
18 there is a lot of room for improvement. And I'm looking
19 forward to talking with you now about those.

20 One last one. There are barriers to access.

21 I don't know if anyone here has ever tried to
22 enroll in public benefits. It is a full-time job.
23 There are real costs, both in terms of your opportunity
24 cost of your time -- where else could you be? With your
25 family, getting into -- furthering your education or

1 your skills, taking care of a loved one.

2 And there are real costs: The cost of child
3 care, the cost of transportation, the fees that cost to
4 enroll, and the money you lose when you are not at work
5 because you are trying to enroll in benefits.

6 We have created a system that sort of continues
7 to perpetuate financial hardship for people working
8 really hard and trying to make ends meet.

9 So now to the solutions or ideas.

10 Oh, no. This is the same one that I mentioned
11 earlier, which is that when you enroll, you can still
12 get disenrolled.

13 So let's reimagine what the system could look
14 like.

15 We have 21st Century solutions to systems that
16 are, frankly, in some cases, a hundred years old, 70
17 years old. We should be looking and reimagining what
18 these systems are going to look like.

19 And I'm excited to see so many of my colleagues
20 who are here who are going to talk about that.

21 I have three suggestions:

22 One is to have a very deep and critical look at
23 how we deploy these programs, what we determine access
24 to be, and how do we maintain enrollment.

25 Everybody needs these programs. We do focus

1 groups all across the state. And we've been doing them
2 for five years. And I will share with you, one of the
3 biggest differences that I have seen in five years is
4 the levels of frustration.

5 For folks who qualify for the California Earned
6 Income Tax, that means they make under 30 -- \$32,000 a
7 year. It is very hard to make ends meet if you are a
8 family of four, if you are a individual in California,
9 anywhere, on that amount. Frustration is high.

10 Both of what are these narratives about the
11 deserving and the undeserving folks, people who are
12 working, people who are struggling because they have to
13 stay home or take care of their families or they are
14 disabled.

15 We need to really look at programs that look at
16 financial struggle in total. Not using the federal
17 poverty line as a real measure, because it is \$13,000
18 for an individual. It is too low and it is outdated.
19 We need to look deeply at our systems and what we choose
20 to do with them.

21 The second is my suggestion that we put CalEITC
22 on some rocket fuel. Imagine what it would be: Right
23 now the California Earned Income Tax Credit delivers an
24 average of about \$150 per person. Some families get
25 more; some get less. The federal one is the one where

1 it is an average of \$2,500 returned.

2 But the California Earned Income Tax Credit,
3 because our policy reflects our values, is much more
4 inclusive than the federal one. In fact, about a
5 million Californians qualify for the CalEITC that do not
6 qualify for the federal one. They are either over 65 or
7 they are under 24. They -- or whatever money they make.

8 So if we could imagine the CalEITC, which is
9 going to folks who are already earning an income, if we
10 put it on the rocket fuel of \$5,000 as an average
11 return, if we raise the income limit to \$75,000, we
12 would be reaching more people and we would really do the
13 transformation of moving people beyond just struggling
14 to put food on their table. And I think that's
15 something we all want to do.

16 Currently, it is a lifeline. If we invest in it,
17 we can make it a transformational investment.

18 And lastly, we have a lot of billions of dollars
19 on the table for low-income folks. One example of that
20 is CalKIDS. CalKIDS is a program that creates a
21 529-style funding mechanism for low-income kids to
22 access higher education or vocational education.

23 We leave \$1.8 billion on the table every year.
24 \$1.8 billion would be transformational for those
25 families and ending intergenerational poverty.

1 So continue to invest in the free tax prep, in
2 the Direct File, in the CalFile. Let's look at new ways
3 of making it less expensive to be poor in California,
4 and let's reimagine the system that works for more
5 people, more effectively.

6 Thank you very much for your time today.

7 DEPUTY STATE CONTROLLER EMRAN: I want to thank
8 you, Amy, for your very, very thoughtful presentation
9 informational.

10 We have time for one question.

11 Member Lieber, I will pivot to you.

12 MEMBER LIEBER: Well, thank you so much for
13 coming here through some difficult circumstances,
14 Ms. Everitt.

15 And I appreciate that you have brought a policy
16 prescription. And I think that information that you
17 shared with us here today is really the "why" of why we
18 are doing this hearing; to really elevate how difficult
19 it is for individuals to fit into these categories.

20 And when policymakers look at the entire package
21 and assume that a family can get CalFresh, can get
22 affordable housing, etc., etc., they maybe aren't as
23 mindful of the cross-cutting qualifications that are out
24 there.

25 And so I don't so much have a question as just a

1 recognition that I hope that you can continue to work
2 with us on the Franchise Tax Board, and we can work with
3 you, within the Legislature, to try to amplify the
4 dynamics at work.

5 MS. EVERITT: Absolutely.

6 MEMBER LIEBER: Thank you.

7 MS. EVERITT: It would be my pleasure. Thank you
8 all for having this hearing and for having me.

9 DEPUTY STATE CONTROLLER EMRAN: Thank you so
10 much. I appreciate it. Thank you for your
11 presentation.

12 We're going to be waiting for the assemblymember
13 to come online.

14 So, in the meantime, we're going to move on to
15 Item C, Working California. And if there's a
16 representative here from the California Federal --
17 Federal [sic] of Labor Unions, AFL-CIO, Ivan Fernandez,
18 the legislative advocate, whose experience includes
19 leadership in the California Latino Leadership
20 Foundation, working in the Assembly, including in
21 leadership offices.

22 When you are ready, please.

23 MR. FERNANDEZ: Hello, everyone. My name is Ivan
24 Fernandez, a legislative advocate for the California
25 Federation of Labor Unions, a federation of over 1200

1 union affiliates, representing 2.3 million California
2 workers.

3 It's a pleasure to be here today to discuss the
4 income inequality crisis, what challenges workers are
5 facing, and the opportunities to address this crisis.

6 As stated earlier, families at the top of the
7 income distribution, the 90th percentile, are earning
8 ten times more than families at the bottom 10th
9 percentile. In other words, there are families that are
10 earning over \$300,000 a year while families at the
11 bottom 90th are making slightly below \$30,000.

12 What has this meant for workers? Unsurprisingly,
13 families are struggling to pay rent, bills, and purchase
14 groceries. As to how this has happened, corporate
15 interests are a key factor.

16 Wages have not kept up with the rising costs of
17 living across the country.

18 While productivity and GDP continue to skyrocket,
19 wages, when adjusted for inflation, do not nearly match
20 the same upward trajectory. Wages, of course, are set
21 by employers and set by market pressures.

22 However, the market is not a truly free-flowing
23 entity that we are meant to believe it is, when large
24 corporations are consolidating and monopolizing in key
25 industries, such as health care and food, particularly

1 grocery stores, as we have seen in the past year.

2 All of which are industries that affect the
3 day-to-day purchases of every day Californians.

4 Due to these monopolistic mergers, the Amazons of
5 the world can control the market and make profit by
6 increasing prices while slashing wages for workers.

7 This year, and almost every year, inflation has
8 been at the forefront of the national conversation, and
9 it is often made to sound as if it were a nebulous issue
10 with no central cause.

11 But if you look at major corporate CEO salaries
12 skyrocketing at the same time wages -- at the same time
13 that wages are being slashed and prices of goods are
14 increasing, the reality of the situation becomes much
15 clearer.

16 Taking all of this into account, and
17 acknowledging the widespread outsourcing of good union
18 jobs in the 1990s, due to NAFTA, workers are left with
19 an economy built on low-wage service industries with low
20 union density. It is no surprise that we are here today
21 meeting on income inequality in California.

22 This is the landscape that workers are currently
23 facing, and, unfortunately, the challenges ahead are
24 likely to exacerbate the issues even further if we do
25 not act appropriately.

1 One major challenge ahead is the increased use
2 and procurement of new and emerging technology in the
3 workplace.

4 New workplace technology without proper
5 guardrails can be used to deskill and displace workers.
6 Displacement usually garners more attentions, and it is
7 easily identifiable and leads to immediate difficulties
8 for workers. In other words, they are not making any
9 more income because they are displaced.

10 And displacement is, of course, a dangerous
11 outcome, and workers need to be protected. However,
12 "deskilling" is a slightly more sinister process that
13 happens over time as it slowly marginalized the workers.

14 Under current laws and regulations, an employer
15 can essentially purchase a new technology system to take
16 more and more responsibilities away from the workers,
17 ultimately giving the employer the opportunity to reduce
18 hours, further exacerbating the income gap that we're
19 here talking about today, and potentially forcing
20 employees to seek other jobs to make up for lost hours
21 and lost income.

22 With employers reducing hours or moving towards a
23 contractor model, previously and once full-time
24 employees will be subjected to part-time or contractor
25 status, losing access to health benefits and labor

1 protections, thus forcing families to become reliant on
2 social programs.

3 Unregulated technology can wipe out and severely
4 diminish the few remaining opportunities workers have
5 after the unfettered offshoring of the 1990s. Workers
6 are facing what seems to be insurmountable challenges.
7 However, there are opportunities and there are
8 solutions.

9 The first, unsurprisingly, is to prevent
10 employers from outsourcing and deskilling workers with
11 emerging technologies. This can be done through a
12 variety of ways, such as prohibiting employers from
13 using workplace technology that eliminates the core job
14 functions of a worker. In other words, the ability of a
15 worker to exercise their judgment and discretion to
16 successfully accomplish their tasks: A distinctly human
17 trait.

18 Employers should not be incentivized to use
19 technology to reduce and limit job opportunities.
20 Allowing employers to reduce job opportunities will
21 widen the income gap and the State will need to
22 subsidize the greed of employers by supporting a larger
23 pool of Californians who will turn to social services.

24 Social services are essential. They are the
25 lifeline for multiple -- for many families in

1 California. And they are there for those who need them
2 because of extenuating life circumstances. They
3 shouldn't be a counterweight to unnecessary employer
4 layoffs.

5 While regulating emerging technologies will help
6 mitigate further disparities, there are solutions to
7 reduce the current income inequality gap. The State
8 needs to invest in workers in all industries by creating
9 pipelines for employment and subsequently helping
10 workers with upwards mobility.

11 The public sector is a great example of an area
12 where investments directly help working families.
13 Public sector jobs have historically been a pathway to
14 the middle class because of the benefits and the
15 security they provide.

16 The state and local governments need to work to
17 fill vacancies and recruit workers from low-income
18 communities. Investing in the public sector helps those
19 in need by improving social service delivery for social
20 programs, while simultaneously lifting up workers up
21 towards the middle class.

22 Lastly, it goes without saying that the
23 California Federation of Labor Unions also strongly
24 suggests empowering workers by protecting unions and
25 unionization. Only 15 percent of California's workforce

1 is part of a union. And unions are fighting every day
2 to address the challenges that workers are facing
3 surrounding income inequality.

4 Through collective bargaining agreements, or
5 CBAs, our affiliates are working to increase wages,
6 protect benefits, and prevent technological outsourcing,
7 all of which have been cited as pathways to close the
8 income gap.

9 While unions work diligently for strong CBAs,
10 there must also be legislation to raise the floor for
11 wages and paid sick days, to make living and working in
12 California sustainable for workers.

13 In addition to securing CBAs, our affiliates also
14 fight against exploitative practices like wage theft, so
15 workers are not losing more than what they are already
16 owed.

17 Supporting unionization is vital to addressing
18 the income inequality crisis. By increasing the number
19 of workers represented by a union, more Californians
20 will have increased labor protections, a topic Jessica
21 Bartholow from SEIU will be expanding upon shortly.

22 While we work to unionize California, we also
23 strongly suggest funding be provided to support labor
24 law enforcement to ensure workers both --

25 MS. RUBALCAVA: Deputy Controller, time has

1 expired.

2 DEPUTY STATE CONTROLLER EMRAN: Appreciate it.

3 Mr. Fernandez, I don't know if my mike is on, but
4 I will give you 30 seconds to finish your last thought,
5 please.

6 MR. FERNANDEZ: Thank you so much.

7 So as -- to conclude, while we work to unionize
8 California, we also strongly suggest that funding be
9 provided to support labor law enforcement, to ensure
10 workers both in unions, and those not yet part of the
11 unions, are being protected from exploitative practices.

12 This is the landscape that workers are facing
13 from the past forms of offshoring, to the emerging
14 technologies in the workplace. To rebuild the middle
15 class, we need to be looking at innovative ways to
16 support income mobility.

17 Public services are valuable for programs in
18 California and for those most in need. However, we
19 believe that truly closing the gap begins with a good
20 union job with labor protections.

21 Thank you so much for the opportunity to speak
22 today. Much appreciated. Thank you.

23 DEPUTY STATE CONTROLLER EMRAN: Thank you,
24 Mr. Fernandez. I appreciate the very informative and
25 concise presentation. Thank you for that.

1 So we're going to move back to framing the
2 issues.

3 I believe we have California State Assemblyman
4 Dr. Corey Jackson on the line. He's Chair of the Budget
5 Subcommittee on Human Services, Chair of the Select
6 Committee on California's Mental Health Crisis as well.

7 Dr. Jackson, can you hear us?

8 DR. JACKSON: I can hear you.

9 DEPUTY STATE CONTROLLER EMRAN: Thank you.

10 DR. JACKSON: Yes. I can hear you.

11 CHAIRPERSON YEE: Welcome. Welcome to the
12 Franchise Tax Board meeting, the special meeting on
13 work, assets, and the safety net.

14 And when you are ready, you can go ahead and
15 proceed with your presentation, sir.

16 DR. JACKSON: Well, first, let me just start off
17 by thanking you for reaching out and being collaborative
18 on this very important issue.

19 You know, first, as a trained social worker, who
20 first chairs the Human Services Policy Committee and, of
21 course, now chairs the Budget Subcommittee on Human
22 Services.

23 I have really done a deep dive into California's
24 social safety net systems. This has really led me to
25 the conclusion that how it currently operates does not

1 meet the needs of Californians in the 21st Century.

2 And to do so, it must be clear that our tax
3 system plays a pivotal role in this effort, serving as a
4 foundation for programs that provide stability and
5 opportunity for millions of Californians through their
6 eligibility criteria.

7 So just take, for example, the pandemic Young
8 Child Tax Credit. A program that has proven to impact
9 and alleviate childhood poverty in California and
10 throughout the nation. We almost alleviated childhood
11 poverty in this nation by almost half.

12 However, Congress allowed it to expire. That
13 pushed millions of children back into poverty. That
14 means that California, doing what California does, has
15 to fill the gap by trying to recreate what the federal
16 government did in terms of the Young Child Tax Credit
17 and so many other social safety net programs.

18 And but by -- in order to fill that gap, we have
19 to establish the necessary processes and authorizations
20 to implement things like automatic payments and
21 automatic enrollment for processes into our broader
22 social safety net programs.

23 And much of that eligibility is found through our
24 tax system. These changes would reduce barriers,
25 eliminate unnecessary administrative hurdles, and ensure

1 that help reaches those who are in need the most, when
2 they need it most.

3 So streamlining our systems isn't just a matter
4 of efficiency. It is a necessity to meet the needs of
5 the 21st Century.

6 So California must be prepared to fill those gaps
7 quickly and effectively as the new administration
8 watches and moves the limit of these federal social
9 safety net programs. We cannot afford delays or
10 inefficiencies in delivering these vital resources that
11 brings resources to our communities.

12 This is where the partnership between the
13 Franchise Tax Board, the Board of Equalization, and the
14 Legislature becomes essential. We have to work together
15 to align priorities, innovate, and invest in streamlined
16 solutions that reduce these pain points for vulnerable
17 populations. By doing so, we protect Californians today
18 and build a resilient infrastructure for the future.

19 And so I stand ready to work with all of you to
20 introduce the necessary legislation that would allow
21 access to federal tax documents and build the necessary
22 infrastructure so that California can establish
23 automatic enrollment and automatic access to benefits
24 that they are already entitled to by law.

25 California has long been a leader in progressive

1 policy and innovation. In this moment, we are called to
2 lead, once again, by shoring up our infrastructure,
3 expanding access to critical programs, and ensuring
4 every Californian can access the opportunities that they
5 deserve.

6 So members of the Board for your -- I want to
7 thank you for your commitment to this issue. It is very
8 timely and it is very necessary.

9 And this window is still open to innovate, to
10 pilot, and to do things that have never been done before
11 as a State. So I look forward to working
12 collaboratively with all of you, to making these reforms
13 a reality.

14 I'm certainly able to answer any questions that
15 you may have.

16 Thank you so much for your time.

17 DEPUTY STATE CONTROLLER EMRAN: Thank you,
18 Dr. Jackson.

19 I want to just recognize and appreciate all the
20 hard work you are doing in the Legislature and for
21 putting yourself as a champion for the working class and
22 the poor working class here in California.

23 Member -- I'm going to move to Member Lieber if
24 you have any comments or questions.

25 MEMBER LIEBER: I would just like to thank the

1 assemblyman for being here today and for extending the
2 offer to work with us.

3 I'm mindful that we're entering a brand new
4 two-year session of the legislature, and so we are
5 eagerly looking forward to new legislation and to
6 working with you on that.

7 I also noted that you are chairing a Select
8 Committee on Mental Health. And I think there's a great
9 deal of interplay between low wages, high cost, and the
10 impacts on mental health.

11 And I was wondering if you could speak to that
12 briefly.

13 DR. JACKSON: Absolutely.

14 I think a simple way to put it is, when people
15 are in poverty, a lot of bad things happen. And a part
16 of that is the number -- the level of stress, the level
17 of anxiety that can be created due to issues of poverty.
18 And they can roll into even more serious mental health
19 issues along the way.

20 We also know that poverty lowers life expectancy.
21 Poverty increases biopsychosocial negative effects.

22 All of those things can be addressed by simply --
23 simply making sure that we create systems that will
24 alleviate poverty and continue to tamp down on that
25 poverty as well.

1 For instance, I focused on childhood poverty.
2 But the biggest crisis along the -- coming is the crisis
3 of our seniors being in poverty. And they are being one
4 of the "growest" -- fastest growing populations falling
5 into homelessness.

6 And you will be amazed if you knew the number of
7 seniors who qualify for things like CalFresh, but they
8 are not enrolled. But I tried to do a bill to create an
9 automatic enrollment process, but we don't have the
10 infrastructure necessary to allow that to happen.

11 And so by simply doing things through our tax
12 infrastructure, we can get people the resources that
13 they need as quick as possible.

14 MEMBER LIEBER: Thank you. If I might have one
15 follow-up, Mr. Chair.

16 DEPUTY STATE CONTROLLER EMRAN: Yes, please.

17 MEMBER LIEBER: I thank you so much for those --
18 for those comments, and we're very ready to work with
19 you on that.

20 I appreciate that you have noted the growing
21 instances of poverty among seniors in the community.
22 And in the Bay Area, there's a rapidly growing number of
23 seniors who are experiencing homelessness. And
24 sometimes it really takes making sure that programs work
25 together, because I have had a number of seniors who are

1 experiencing homelessness say to me that they can access
2 food through certain programs through food banks, etc.,
3 but they are not sure what to do with groceries in their
4 car or out on the street.

5 And so I appreciate you bringing the reality of
6 how these programs either work together or don't. And
7 that dovetails very well with our previous speakers, and
8 appreciate you being here today to shine a very bright
9 light on this.

10 DEPUTY STATE CONTROLLER EMRAN: Thank you, Member
11 Lieber.

12 DR. JACKSON: Thank you so very much.

13 DEPUTY STATE CONTROLLER EMRAN: Dr. Jackson, do
14 you have any parting words?

15 Go ahead.

16 DR. JACKSON: No. I was just saying thank you so
17 very much. And please utilize my office if there are
18 some legislative opportunities that you see we can get
19 done, so that we can begin to build this infrastructure.

20 Thank you much for your time.

21 DEPUTY STATE CONTROLLER EMRAN: Thank you,
22 Dr. Jackson. And best of luck in the new legislative
23 session. Appreciate that.

24 DR. JACKSON: Thank you.

25 DEPUTY STATE CONTROLLER EMRAN: So moving back

1 towards Section C, Working California. We're going to
2 go to our next speaker, Jessica Bartholow, Director of
3 Government Relations, California State Council, Service
4 Employees International Union.

5 She is a long-time policy advocate working with
6 leadership in the Senate and as the Governor's appointee
7 on the California Student Aid Commission, focused on
8 CalFresh implementation with students in need; and over
9 a decade of experience as a policy advocate at the
10 Western Center on Law and Poverty.

11 So, Jessica, when you are ready, please begin.

12 MS. BARTHLOW: Thank you, Deputy Controller, and
13 Members of the Board.

14 Again, I'm Jess Bartholow, the Government
15 Relations Director with SEIU California.

16 SEIU is -- California is a conglomerate of 17
17 locals across the state. We're a diverse workforce and
18 a workforce of people who started as a union because we
19 weren't included in the vision of what unionized workers
20 looked like, because we were told, as workers who are a
21 majority people of color and women and service workers,
22 that we couldn't unionize. And that's the origin of
23 SEIU.

24 Here in California, we represent the majority of
25 a -- of the 8 percent of working people who are

1 low-income or striving to become middle class or higher
2 income and out of poverty.

3 Me personally, as you heard before, I have over
4 20 years of working in anti-poverty work. But before
5 that, I was poor. I grew up here in California. And
6 my -- my parents also working. My mother a piece-rate
7 worker, ironing garments at a dollar a piece; and my dad
8 in the construction field.

9 So who are the workers of SEIU? They are the
10 groundskeepers, they're the food preparers, the health
11 care laborers, the child care workers, the home care
12 workers; the people with some of the highest rates of
13 poverty in our state among working people. They tend to
14 be more working women-led households and workers of
15 color, who face higher rates of working poverty.

16 As you heard before, there's a simple answer to
17 ending working poverty: Wages. If we were able to get
18 in behind the demands of workers and support their
19 efforts to increase their wages, to move beyond poverty
20 and beyond low-income status, we wouldn't need to find
21 ways to serve them in a public-sector social safety net.
22 We could then focus on people who really needed those
23 services because they didn't have wages from work.

24 As you heard before, low-income working
25 conditions are even worse because of inequality, that

1 Chairwoman Lieber mentioned before: California facing
2 tremendous and historic rates of inequality, which make
3 low wages even more difficult to suffer.

4 As you heard from Dr. Corey Jackson, income and
5 low income and poverty isn't just a number on somebody's
6 paystub or on their public benefit check. It is an
7 experience. And it can have long and permanent
8 consequences, especially for children who are -- who are
9 young in age.

10 You heard some of the mention of what can happen
11 to children who are experiencing poverty and deep
12 poverty. One of the ones -- one of the consequences I
13 think is the most consequential is -- as a result of the
14 toxic stress of poverty among children is the changes in
15 their brain that undermine their ability to cope.

16 As somebody who escaped poverty from my
17 childhood, I know, as maybe you know, that the ability
18 to cope is the most important asset that a child living
19 in poverty and escaping poverty can have.

20 So when we allow children and working families to
21 experience poverty at such deep levels that it changes
22 the brain composition, undermining their abilities to
23 escape poverty later, we are creating a cycle. It is
24 not the parents creating the cycle. It is not the
25 children failing in the conditions that they have been

1 given. It is us and our failure to ensure that when
2 somebody goes to work every day, that they are able to
3 come home with a wage that allows them to be housed
4 safely, fed daily, and have an opportunity to learn and
5 strive and take care of themselves and achieve.

6 So what is our union doing about it?

7 We are supporting the efforts of low-income
8 service workers to organize themselves; to find
9 empowerment themselves; to show their children what it
10 looks like to lead, not only themselves out of poverty,
11 but their neighbors, their family, their community, and
12 their state.

13 Recently we have had sectoral wage victories in
14 fast food at places like Jack in the Box, where workers
15 are now making \$20 an hour. Over the last six months,
16 we heard from pundits saying -- kind of taking bait,
17 line, and sinker from the executives that you heard
18 Mr. Fernandez talk about, and believe that their jobs
19 would be lost or their -- you know, they would be
20 closing shop.

21 And instead, what the research has shown is that
22 the fast-food industry is flourishing. Jobs are
23 continuing and wages are going up. The burgers are 15
24 cents more, but people are happy to pay for that.

25 And the workers, they are able to afford more

1 healthy food, spend more time with their family, put
2 money in savings, build their assets.

3 We're raising wages in healthcare too. And in
4 October, on October 15th, we began the path toward a \$25
5 minimum wage for workers. That victory comes from the
6 organizing of the workers themselves.

7 We seek to pursue an expansion of these wage --
8 sectoral wages, but also to support, through our
9 bargaining, the increases in wages reflecting that
10 higher wage needed to live in California and to meet the
11 basic needs.

12 What is California doing about it, about working
13 poverty? They are supporting these efforts to -- to
14 wage -- sectoral wages. They are supporting efforts to
15 unionize. They will get behind public sector workers
16 who will face attacks and already are from the new
17 federal administration.

18 They have also maximized the income tests, the
19 amount that people can earn for CalFresh, Medi-Cal, and
20 TANF, our CalWORKS program.

21 They have removed family fees in childcare and
22 raised the income rates of people who can receive
23 subsidized childcare. They have increased the slots.
24 They have expanded universal school meals, removing the
25 fees that families pay for school meals, saving families

1 on average about \$300 per month, per child.

2 DEPUTY STATE CONTROLLER EMRAN: Jessica, if you
3 can -- I will give you one more minute, please. If you
4 could wrap up any main points you would like to give.

5 MS. BARTHOLOW: Thank you.

6 DEPUTY STATE CONTROLLER EMRAN: Thank you.

7 MS. BARTHOLOW: What can the Franchise Tax Board
8 do about it, about poverty and working family?

9 Continue to celebrate the great work you have
10 done.

11 Expanding the tax credits not only to EITC, but
12 child tax credits. Be ready for additional support and
13 to get those out fast as you did during the pandemic.

14 Minimize the intercepts and the debt collection.
15 The FTB is the largest debt collector in the state. You
16 can minimize the harm that you cause to families when
17 you do that, and increase their assets.

18 Help document the harm of inequality, as you have
19 done.

20 As well as document the things that work.
21 Working with Stanford, they are using your data sources
22 in the Upstream Center to look at how Earned Income Tax
23 Credit is making the lives and health of people better
24 in California.

25 And find ways to support. You might not know,

1 but you do support the unionization efforts in
2 California. You helped us to document who has joined a
3 union. Help us to do that better. Remove barriers to
4 do that, like alternative identifiers, that would help
5 us to enroll people who want to join a union quicker,
6 faster, and with more security of privacy.

7 With that, I would like to say thank you so much
8 for this conversation. Thank you for everything that
9 you do. And looking forward to working with you in this
10 year and beyond.

11 DEPUTY STATE CONTROLLER EMRAN: Thank you,
12 Jessica, for your very, very nice presentation.

13 Member Lieber, if you have any questions or
14 comments.

15 MEMBER LIEBER: No. I will just say a huge
16 thank-you for all of your work, Jessica. You have
17 really been a legend in the capitol community for a long
18 time. And I appreciate your passion so much.

19 Thank you.

20 MS. BARTHOLOW: Thank you.

21 DEPUTY STATE CONTROLLER EMRAN: Thank you,
22 Jessica. Appreciate that.

23 We're going to move on now to Section D, Asset
24 Building in California. Devon Gray, President, End
25 Poverty in California, EPIC for short, who worked

1 extensively on gun violence strategies and capacity
2 building within the gun violence reduction movement
3 through evergreen strategies. Served with the Newsom
4 administration as a special advisor to the Governor's
5 Chief of Staff. And graduated from Stanford Law School
6 and Stanford Graduate School of Education as an integral
7 part of the California Democratic Party.

8 So I want to thank you, Mr. Gray, for
9 appearing -- all the speakers for appearing in person
10 today.

11 And when you are ready, please take it away.

12 MR. GRAY: Wonderful. Thank you so much. Good
13 morning, Chair Lieber, Members of the Franchise Tax
14 Board. I'm Devon Gray. I serve as the president of End
15 Poverty in California; we're EPIC for short. We're an
16 advocacy and storytelling organization that was founded
17 by former Stockton Mayor Michael Tubbs back in 2022.

18 I'm so grateful that you all have made the choice
19 to take time in this meeting to focus on what I really
20 think is the central question facing California and the
21 question that's being asked by Californians: Whether or
22 not we are committed to and being capable of being a
23 state where everyone can thrive.

24 Because when we talk about work and income and
25 assets and the safety net, what we're really getting at

1 is poverty, and achieving economic security through
2 wealth, and attaining upward mobility, and whether
3 belief in the American dream is actually grounded in
4 reality.

5 Now, I think this is particularly relevant after
6 the last election, both in California and nationally. I
7 think we can see that there is a deep dissatisfaction
8 with the status quo and a skepticism over whether our
9 institutions are indeed working for people.

10 And the sentiment is reflected in survey data
11 coming from PPIC just this week, that shows that only
12 one-third of Californians believe that the American
13 dream still holds true.

14 Now, for those of us in this space who know the
15 statistics and spend time in communities affected by
16 poverty, this wasn't terribly surprising. There's broad
17 recognition that California is increasingly
18 characterized by our contradictions rather than by a
19 shared prosperity.

20 We saw the stats earlier mentioned: We're the
21 fifth largest economy in the world. We have a GDP of
22 nearly \$4 trillion. Yet, year after year, we have the
23 highest poverty rate of any state when accounting for
24 the cost of living.

25 We have more billionaires here than in any

1 country in the world, aside from the remainder of the
2 U.S. and China. And, yet, 7 million Californians don't
3 make enough each year to make -- to meet basic needs.

4 And we see huge disparities in the assets that
5 people have with pronounced and persistent racial income
6 and racial wealth gaps. In California, for every 1
7 dollar that white families earn, Black families earn 60
8 cents and Latino families earn 52 cents.

9 And this, of course, exacerbates a nationwide
10 racial wealth gap that remains as wide today as it was
11 when the Civil Rights Act of 1964 was passed.

12 Now, our organization spends time in communities
13 impacted by poverty. We've been to 23 counties now in
14 under three years, from Siskiyou County down to San
15 Diego, and a lot of places in between. And people see
16 and feel these contradictions: The immense abundance
17 often just a few miles away from deep poverty.

18 And despite the vast diversity within the state,
19 we heard the same desires expressed by people in all of
20 our regions. People calling for many of the things
21 we're discussing here today: Quality jobs and wages. A
22 safety net that's robust and easy to access, and real
23 investments in our families and in young people to
24 propel them into economic security.

25 And it is not as if we don't have a playbook for

1 policy solutions that are responsive to these desires.
2 We have heard of lot of them today, and we have seen
3 some real wins on these fronts.

4 We have seen fast-food workers secure better
5 wages and working conditions.

6 We have seen guaranteed income pilots proliferate
7 around the state and country that have shown us lessons
8 on how the safety net can be more robust and accessible.

9 We have seen the State make real investments in
10 baby bonds for foster youth and children who have lost a
11 parent to COVID. That will see nearly 60,000 young
12 people, just next year, start to receive a State-funded
13 nest egg that they can use to then build wealth.

14 None of these wins came easy and require
15 tremendous leadership from the state and local leaders.
16 But despite these hard-fought wins, given the magnitude
17 of the problems that Californians still face, we have to
18 keep pushing.

19 And with full recognition of the State's fiscal
20 picture and an understandable focus among our elected
21 leaders to curb new spending, or at least limit it, we
22 have to simultaneously reckon with the fact that we have
23 yet to alter the reality that, again, we live in a state
24 that has more poverty than any other.

25 And so I think that begs the question: In a

1 state that perhaps -- you know, perhaps a country as
2 well with such abundance, with broad recognition that we
3 have an untenable situation, for millions of people, and
4 a pretty clear set of solutions that can put more money
5 in people's pockets, we have to ask why we haven't been
6 able to collectively do more for folks.

7 Now, our organization's theory is that it's the
8 very story we tell ourselves about poverty -- why it
9 exists and why it affects some and not others -- that
10 collectively holds us back from embracing and scaling
11 the solutions that we know can eradicate it.

12 People will often try to explain away our state
13 and nation's inequities through a number of false
14 stereotypes and narratives: That people living in
15 poverty just need to work harder; or that that they have
16 inherent character flaws that make poverty inevitable
17 for them; or that poverty is just a natural phenomenon
18 of the universe that we have to deal with.

19 All of this, of course, is tied to outdated
20 notions of who is deserving of help and who isn't.

21 But I think for those of us who live and breathe
22 this work or have experience living in poverty
23 ourselves, we know these tropes are easily disproven.
24 And, yet, these are deeply-held beliefs that continue to
25 shape policy and always to the detriment of working

1 families.

2 Dr. Jackson mentioned this in his remarks. But I
3 think the best illustration of how these harmful
4 narratives led to bad policy outcomes was the failure to
5 renew the Expanded Child Tax Credit, which delivered
6 thousands of dollars to middle- and low-income families
7 during the first year of the Biden Administration. The
8 results were amazing: We saw record-low poverty rates
9 and the child poverty rate being cut nearly in half to
10 just over 5 percent.

11 And families who received these funds
12 overwhelmingly spent the money in the same way any of us
13 would: On basic necessities. And there was no
14 significant reduction in workforce participation either.

15 So surely, that should have been the end of the
16 story, right? We saw that providing cash to families
17 had unambiguously positive outcomes.

18 But the following year, when a vote came up in
19 Congress to renew the Expanded Child Tax Credit, it was
20 voted by senate republicans and Joe Manchin of West
21 Virginia, who reportedly expressed a belief that
22 families receiving the cash were spending it on drugs
23 and alcohol.

24 It didn't matter that we cut child poverty in
25 half, which was a miracle, or that families were

1 spending the money responsibly. A false but
2 broadly-believed story about people in poverty was
3 ultimately more powerful.

4 And the results the following year were nothing
5 short of disastrous. We saw the largest-ever
6 single-year rise in poverty in American history. And
7 child poverty increasing by nearly 140 percent.

8 And in California, our child poverty rates rose
9 from 7 and a half percent to nearly 17 percent.

10 In absolute terms, about 3 million children
11 nationally were pushed back into poverty, and all of
12 this was the product of a single policy choice.

13 DEPUTY STATE CONTROLLER EMRAN: Mr. Gray, we're
14 going to give about 60 more seconds.

15 MR. GRAY: Fantastic.

16 DEPUTY STATE CONTROLLER EMRAN: Thank you.

17 MR. GRAY: So we can clearly see how these
18 inaccurate stories about poverty impact the way the
19 policy choices are made. It impacts what legislation
20 gets prioritized; how our safety net is designed; and
21 how we choose to raise revenue.

22 That said, I firmly believe that if harmful,
23 incarcerate narratives can lead to bad policy, then
24 telling an accurate story based on people's real
25 experiences can pave the way for real policy victories

1 tomorrow.

2 So my ask of everyone here is that we make sure
3 we continue conversations like these, and that we can
4 continue as partners in advocating for policies that
5 will help Californians realize the American dream,
6 protect the very real progress that we have made in
7 recent years, and ultimately restore Californians' faith
8 in our ability to solve big challenges.

9 But to do that successfully, I truly believe that
10 requires all of us to constantly examine the underlying
11 assumptions that guide our policy-making.

12 Thank you all for the time. I'm so grateful that
13 you are allowing for this venue to take place. I think
14 it's really meaningful.

15 Thank you.

16 DEPUTY STATE CONTROLLER EMRAN: Thank you,
17 Mr. Gray. That was very powerful and impactful in its
18 own right.

19 And I will turn to Member Lieber for any
20 questions or comments.

21 MEMBER LIEBER: Thank you.

22 Well, I very much appreciate your comments,
23 Mr. Gray. And especially the push to put healthier
24 narratives that are true about people out into the
25 common space.

1 And I very frequently encounter constituents who
2 really believe that financial education is going to cure
3 everything. And the resources that go to financial
4 education, given by mostly wealthy entities, if they
5 were spent on cash grants to people of modest means who
6 actually know the most about saving money and dealing
7 with money as -- as well as possible, because people of
8 great means can make a lot of mistakes. People of
9 modest means can't make any mistakes. And I think that
10 that really adds to the mental health side of things, to
11 have those narratives out there.

12 So thank you so much for your work in that -- in
13 that direction. And we look forward to working with
14 you.

15 MR. GRAY: Thank you. I really appreciate those
16 comments. Thanks.

17 DEPUTY STATE CONTROLLER EMRAN: Thank you,
18 Mr. Gray.

19 Before you do step off podium, I do have one
20 question.

21 MR. GRAY: Yes.

22 DEPUTY STATE CONTROLLER EMRAN: I want to speak
23 about the digital divide --

24 MR. GRAY: Yes.

25 DEPUTY STATE CONTROLLER EMRAN: -- in California.

1 So we have 15 percent of households or nearly
2 2 million residents don't have access to high-speed
3 internet. And the COVID-19 pandemic showed how the
4 digital divide really is -- shows the inequity that is
5 throughout California. It could the harm -- it also
6 causes for working class families.

7 So as a state, we must work to bridge the digital
8 divide between those who have access to high-speed
9 internet and those who don't.

10 Can you speak to the impact of having access to
11 internet and what that means to lifting a family out of
12 poverty, both in terms of education and job prospects?
13 And what we, as a state, must do to make sure that
14 high-speed internet is accessible for everyone.

15 MR. GRAY: Absolutely. I think to -- the latter
16 question requires investment in, again, policy choices,
17 to make sure that we are allowing for every Californian
18 to access the resources that we are trying to make
19 available. Right?

20 In an increasingly digital world, we see the
21 digital gap exacerbating existing inequities, of course.

22 Last year, we spent time in the rural north of
23 the state. We hit about six counties along the way.
24 And we spent time in Trinity County, which is a small
25 county by population; I think it's about 14,000 folks.

1 But in terms of square mileage, it's massive.

2 And speaking to folks there, we understood that
3 the digital divide was very real, and it manifests in a
4 different way in our rural and frontier regions of the
5 state.

6 And accessing help through the safety net is
7 really difficult if, one, you don't have reliable
8 digital access. And the county office that you would go
9 to in person is tens, if not hundreds, of miles away.

10 So if we want to have a safety net that's
11 inclusive of everyone, we have to ensure that people
12 have equal opportunity and means to be able to just talk
13 to someone. Right? Like, it really does make a big
14 difference.

15 So I think if we're trying to design a state that
16 is -- you know, that works for everyone, we have to
17 ensure that people have the same kinds of resources.
18 Because if you don't have access to the digital world in
19 a way that we understand is increasingly important, it
20 is essentially like trying to operate with a hand tied
21 behind your back.

22 So it is going to require investments and policy
23 choices ultimately.

24 And if the pandemic did one good thing, I think
25 sort of shedding light on the impacts of the digital

1 divide was useful for the story that we are trying to
2 tell.

3 DEPUTY STATE CONTROLLER EMRAN: Absolutely. And
4 thank you, Mr. Gray. Thank you for that answer as well.

5 And we are going to continue moving on at good
6 speed here.

7 MR. GRAY: Wonderful. Thank you.

8 DEPUTY STATE CONTROLLER EMRAN: Next we have,
9 under the Asset Building in California, Teri Olle,
10 California Director, Economic Security Projection
11 Action.

12 She has been a leader in a variety of policy
13 fields, including toxics reduction and access of
14 California to food security. She works at all levels of
15 politics, engaging in grassroots mobilization and
16 high-value policy advocacy.

17 And before you begin, I just want to note to all
18 the speakers: I know we're all on a time crunch here,
19 but if there's some things that you may have not gotten
20 in -- on your oral presentation, please submit in
21 writing to the record for the Franchise Tax Board. It
22 will be reflected in the record as well.

23 So, Teri, when you are ready, you can take it
24 away and welcome back to the FTB.

25 MS. OLLE: Great. Thank you so much for having

1 me today. Good morning, Chair Lieber, Members of the
2 Board, and staff.

3 I'm Teri Olle. I'm the Director of Economic
4 Security California. And we're an organization that
5 works to build an economy where everyone has the freedom
6 and stability to thrive.

7 We focus on two fights that we think are equally
8 important:

9 First, we work to put money into the pockets of
10 people who need it most, through policies and programs
11 that provide unrestricted cash, like refundable tax
12 credits and guaranteed income. But we also, equally
13 important, work to guard against the forces that try to
14 take money out of people's pockets.

15 And here, I'm talking about things like corporate
16 concentration and power, that, when left unchecked,
17 makes it impossible for people to get a fair shake, much
18 less get ahead, as some of my colleagues mentioned
19 earlier.

20 Things like price gouging and monopolies harm
21 people in their daily lives, strangle small businesses,
22 and strip communities of opportunity.

23 And, of course, while putting money into people's
24 pockets is obviously core to the discussion today,
25 especially around assets, I submit that we also must be

1 paying attention to the other side of the equation too,
2 especially in this perilous current political moment,
3 when it's quite clear that people are feeling like they
4 have very little power in their own economic lives, and
5 that, frankly, they have lost control.

6 And people are right that things aren't fair.
7 And the more our tax system reinforces and exacerbates
8 disparities and unfairness, the more people will seek
9 relief from anyone who promises a quick fix, even when
10 it's a lie.

11 And when California should be proud of the work
12 it's done to use the tax system to support the
13 lowest-income resident through tax credits that are both
14 targeted and inclusive, we are nowhere close to a system
15 of tax fairness at the top, where highly profitable
16 corporations and wealthy individuals are expected, as
17 they should be, to pay their fair share.

18 And until we meaningfully address that problem,
19 we will continue to have a terrible imbalance, where
20 some are permitted to amass mountains of assets, and
21 some will have little chance at all.

22 But because we're talking about assets, it is
23 really about the combination of stability and freedom.
24 This is about agency to evaluate real choices in your
25 life and to make decisions based on something besides

1 fear.

2 When we think about assets, you know, classic
3 things like a house or some kind of an investment, these
4 are the things that allow people to weather storms of
5 unpredictability.

6 But the starting point for all of that is
7 available cash. You have to be able to sock some money
8 away to build assets.

9 And, unfortunately, that statistic we have all
10 heard -- that 40 percent of Americans can't afford a
11 \$400 emergency expense without some kind of hardship --
12 that is a very stubbornly persistent statistic. It
13 basically doesn't change, except during that one period
14 of time that my colleague just mentioned, during the
15 pandemic response, when Congress passed a critically
16 important Expanded Child Tax Credit that provided an
17 average of about 444 -- sorry, \$444 per month to nearly
18 all households with kids in the country, automatically
19 and monthly for six months in 2021.

20 The big headline, of course, is that child
21 poverty was cut in half almost instantly. In
22 California, that meant over 553,000 children were lifted
23 out of poverty, just like that.

24 Food security similarly dramatically declined.
25 More people were able to meet their needs and the

1 effects were even more significant for Black and Latino
2 in the lowest-income households.

3 But in addition, these credits were remarkably
4 effective at giving low-income households a chance to
5 actually build up a cushion of assets, not to just get
6 by.

7 So what can we learn from that experience? And
8 what are the suggestions for moving forward?

9 First, frequency matters. And this is a lesson
10 from the guaranteed income pilots in California as well
11 as from around the country. Getting payments monthly,
12 in a periodic way, instead of once a year, makes a big
13 difference in both poverty reduction and in assisting
14 with building assets.

15 There is research on that expanded monthly CTC,
16 that came out of Columbia University, that demonstrated
17 that for the exact same amount of total money, total
18 cost, delivered payments monthly, instead of as a lump
19 sum, actually lifted one-third more children above the
20 poverty line each month, just because the consistent
21 payments led to stability. And people didn't have to,
22 again, suffer that volatility where they -- to seek out
23 ways to have to afford their daily needs by going into
24 debt.

25 Second, people were less likely to seek out risky

1 financial options to meet their daily needs. Things
2 like predatory payday loans, pawnshops, and even selling
3 blood plasma.

4 Those option -- the use of those options actually
5 reduced by a factor of 2X during -- during the expanded
6 CTC period.

7 And, finally, some people were actually able to
8 sock away a little bit of money and pay down credit card
9 debt that they had amassed during previous times of
10 hardship.

11 And I'm well aware that there are some challenges
12 in paying out tax credit -- state tax credits in a
13 periodic or a monthly way. But we have to be -- if
14 we're talking about the merits, there's no question that
15 periodic payments make a big difference in
16 effectiveness. And it is something we just need to
17 spend more time figuring out how to do right.

18 The second point I want to make is that we have
19 to make access to tax credits not just simple and easy,
20 which we are doing, but actually truly automatic.

21 Far too many people do not receive the tax
22 credits they are eligible for. But maybe equally as
23 distressing is that for the vast majority of households
24 in California that do claim tax credits, they are
25 actually paying for the privilege. It's just ridiculous

1 on its face. For ITIN filers, it's nearly --

2 MS. RUBALCAVA: Excuse me. Deputy Controller, we
3 have about one more minute left.

4 DEPUTY STATE CONTROLLER EMRAN: That's your
5 warning, Teri.

6 MS. OLLE: Great.

7 DEPUTY STATE CONTROLLER EMRAN: If you can wrap
8 up with your main, main points.

9 MS. OLSON: Absolutely.

10 About 90 percent of ITIN filers actually use paid
11 tax prep. And conservatively, when you take all of the
12 low-income households that get state tax credits
13 combined, they are paying over \$750 million every single
14 year to pay tax prep.

15 And if you think about our entirety of our
16 CalEITC and YCTC program, it is about 1.3 billion.
17 That's like half of the money that State invests going
18 straight to paid tax prep. It is not what -- surely
19 what the Legislature and the Governor intends.

20 So it doesn't have to be this way. And I want to
21 just express my appreciation to the Franchise Tax Board
22 for being a leader on integrating CalFile with Direct
23 File, which was a great success last year. And we have
24 an excellent opportunity to supercharge it and supersize
25 it this year and have even more people experience free

1 and -- and simple online tax filing. And we need to be
2 able to show that the government can do big things.

3 Moving forward, I look forward to working with
4 you on other things that we can do together, including
5 making the -- making tax credits truly automatic so that
6 people don't have to pay the time tax that is poverty of
7 standing in multiple lines, telling their story multiple
8 times, and going through a funhouse of benefits,
9 eligibility, and enrollment. That just sucks time and
10 money and makes it hard for people to have the freedom
11 and stability in their lives, build up assets, and
12 thrive.

13 Thank you so much for you time.

14 DEPUTY STATE CONTROLLER EMRAN: Awesome. Thank
15 you so much, Teri.

16 And we're going to move to Member Lieber, if you
17 have any questions or comments.

18 MEMBER LIEBER: I just have one question.

19 Can you speak a little bit about recruitment of
20 taxpayers to VITA that free tax preparation? Because I
21 really agree, looking at the numbers, how much
22 low-income people pay for tax preparation simply because
23 it is culturally competent in their neighborhood. But
24 it really eats such a large piece of any tax credit that
25 they could get.

1 So what should we be looking to, to increase VITA
2 free tax prep?

3 MS. OLLIE: Yeah. Absolutely. Those -- VITA free
4 tax prep and Direct File free simple online tax prep are
5 two great tastes that taste great together. They -- we
6 should be doing both.

7 We need to invest in VITA, and that should be
8 the -- the gold standard, the white glove treatment, if
9 you will, for people who need -- who have complicated
10 cases, who need that extra help to get over what, you
11 know, they -- whether it is fear, whether it's
12 confusion, and there's plenty of that to go around. So
13 this is a very, very vital part of the ecosystem.

14 But for many people -- and, again, going back to,
15 the vast majority of people actually are filing using,
16 you know, software products that they have to pay for.
17 That is the same as if you had a free version that the
18 government provides; they would be able to use that
19 themselves.

20 And so I really see the opportunity there for
21 people who have relatively simple tax filings, and who
22 are tech savvy enough, that they can use an online
23 system.

24 And the experience out of Direct File last year
25 is it took 15 minutes and was easy, and people had a

1 great experience, and they thought that it was as good,
2 if not better, as paid products that they had used
3 previously.

4 So these are things that worked together. And we
5 should be saving our precious VITA dollars for the
6 people who truly need that level of service. And,
7 again, there are plenty. But we should be saving the
8 dollars for those folks and making it -- making a very
9 simple online tool that is free and easy for people who
10 are quite able to do it themselves.

11 MEMBER LIBER: Thank you.

12 DEPUTY STATE CONTROLLER EMRAN: Okay. Thank you,
13 Teri.

14 And before you go, I do have one question for you
15 as well.

16 So in 2023, about 1 in 5 Californians were
17 food-insecure, despite California producing nearly half
18 of the nation's fruits and vegetables. Californians
19 have turned to their local food banks in record numbers.
20 Instead of functioning as a source of emergency aid,
21 food banks are now becoming long-term supermarkets for
22 Californians facing food insecurity.

23 A little more than 70 percent of those who
24 qualify for food benefits are actually receiving them.

25 So how can we as a state government help

1 eradicate food insecurity here in California?

2 MS. OLLE: Yes. Thank you for that question.

3 So you may not know, but I actually did use to
4 work for the San Francisco-Marín Food Bank and saw up
5 close and personal what an incredibly effective and just
6 comprehensive set of supports the food bank system in
7 our state provides, including 2/3rds of the -- of the
8 food that is distributed, at least in the San
9 Francisco-Marín Food Bank, is fresh fruits and
10 vegetables that come directly from farms in California.

11 Ironically, many of the people who are actually
12 picking the food, that ends up at the food bank, they
13 themselves end up at food banks in their local
14 communities. So the system is messed up in terms of the
15 way that we are treating workers who pick the -- pick
16 the wonderful fruits and vegetables from our -- from our
17 fields. And they can't afford to eat the things that
18 they themselves are harvesting.

19 So I think there's a couple of solutions: You
20 know, while food banking system provides daily support
21 that is very critical, that isn't -- that we can't
22 food-bank our way out of poverty.

23 And the core to your question -- the core answer
24 to your question is about poverty, which goes back to
25 all of the things we're talking about today. It is

1 having wages that are sufficient for people to meet
2 their daily needs.

3 As I was mentioning, the Expanded Child Tax
4 Credit allowed people -- you know, food security dropped
5 almost in half almost instantly. That allows people to
6 have the money they need to meet their -- their food
7 needs, which come daily, not monthly, not annually.

8 The second piece, of course, is having a more
9 robust CalFresh or SNAP program. You know, the pandemic
10 expansions were -- were great. But we -- you know,
11 we -- we bounced back to a -- a -- a program that isn't
12 enough to meet the needs of people. And, again, is
13 really arduous to get -- to get on CalFresh benefits and
14 to stay on CalFresh benefits.

15 When I was working on that as an area of
16 advocacy, there was a churn rate of about 20 percent
17 meaning that, like, people who were coming in the door
18 to apply for CalFresh, 20 percent of them had been on
19 CalFresh within the past 30 to 60 days.

20 So they hadn't, all of sudden, like, become
21 millionaires. They just fell off the program through --
22 because they missed a notice or something like that.

23 That is just a waste of people's time, and it is
24 a waste of administrative time. 20 percent. That's
25 like "no new work Fridays." Everybody who is, you know,

1 processing CalFresh on Fridays are just reprocessing
2 somebody who had previously been on this benefit.

3 We need to be better. And we need to make it
4 easy to get on and easy to stay on. And we need to
5 provide adequacy of benefits so that people are not
6 having to chase around to -- between jobs, food banks,
7 and -- and public service agencies.

8 DEPUTY STATE CONTROLLER EMRAN: Absolutely.
9 Thank you, Teri.

10 MS. OLLE: Thank you.

11 DEPUTY STATE CONTROLLER EMRAN: Good to see you
12 again.

13 MS. OLLE: Thank you.

14 DEPUTY STATE CONTROLLER EMRAN: And we're going
15 to move on now to the next section. Section E, The
16 Safety Net in California.

17 Mark Stivers, Director of Legislative Advocacy,
18 California Housing Partnership. Mark has a remarkable
19 tenure of over two decades of working to advance access
20 to housing for Californians, both in the advocacy
21 community, state administrations, and in the
22 Legislature; and as Primary Housing Consultant to the
23 State Senate.

24 So welcome, Mark. It's also good to see you here
25 in the FTB chambers.

1 And when you are ready, please take it away.

2 MR. STIVERS: Great. Thank you. Good morning,
3 everyone. Mark Stivers.

4 We are a State-chartered think-and-do tank whose
5 focus is meeting the housing needs of lower-income
6 Californians.

7 And I've been really pleased with the
8 conversation today about how we can raise incomes of
9 people -- lower-income families. But another -- and
10 that's a great strategy.

11 Another way to think about this is how can we
12 reduce their housing cost, which is by far and away the
13 biggest expense that a family has in any given month.

14 I'm going to take one or two minutes and talk
15 about where are -- where are we in terms of meeting low
16 income housing needs.

17 This slides basically shows you that families
18 need to earn \$45 an hour to afford the -- kind of the
19 median asking rent throughout California. You can also
20 see on this chart that the state minimum wage is only
21 \$16 an hour. I hope that's correct; it may be outdated.

22 And that home healthcare aides, farmer workers,
23 childcare workers, retail salespersons, janitors and
24 cleaners, none of them make more than about \$20 an hour.

25 So the housing -- the housing wage is more than

1 twice than what a lot of families are making.

2 Oops.

3 All right. There we go. Okay.

4 This slide -- this slide talks about, well,
5 how -- how many of our low-income families are cost
6 burdened. And when we talk about in a housing parlance
7 cost burden is a family that is paying more than
8 30 percent of their income for rent. A severely
9 cost-burdened family is paying more than 50 percent of
10 their income for rent.

11 As you can see on the left, just about every
12 extremely low-income household is cost-burdened. And
13 even among the entire universe of low-income households.

14 So all of those in the state that are learning --
15 earning 80 percent or less of the state median income
16 are -- a majority of those are cost burdened as well.

17 And why is this? Frankly, it is a function of
18 the fact that we just don't build enough affordable
19 housing. On the left, you can see that we need to have
20 about 2.2 million units of affordable housing for
21 low-income families. We have roughly, you know one --
22 700,000. We are short more than 1.2 million affordable
23 homes for lower-income households.

24 So the question is, you know, why do we have this
25 shortage? And the bottom line is that, well, as a

1 bottom line is we are building about a hundred thousand
2 units a year, when we need to be building a million
3 units per year.

4 Of those 20,000 that we built, tax programs are
5 by far and away the biggest financing source. Most of
6 them -- all these 20,000 units are financed with federal
7 low-income housing tax credits. That's by far and away
8 the biggest tax program that supports affordable
9 housing. But the state low-income housing tax credit
10 also supports (unintelligible) six of those thousand
11 units as well.

12 Also, all 20,000 units receive a welfare property
13 tax exemption that's administered by the Board of
14 Equalization and state and county assessors. We have
15 worked with Chair Lieber on that issue as well.

16 So there are -- there are important tax
17 incentives that support affordable housing. We just
18 simply don't do enough.

19 And what is holding us back? It is not the large
20 cadre of experienced affordable housing developers that
21 we have throughout California. And these days, with the
22 Legislature having passed a number of streamlining bills
23 that make it easier for local -- for developers to get
24 permission to build and land use entitlements from local
25 governments, it is really not the local entitlement

1 process that is holding it up.

2 We have 60,000 units of affordable housing that
3 are shovel-ready. They are titled, ready to go.

4 What is holding us back is funding, and we just
5 don't do -- have enough state resources to fill those
6 financing gaps and make those projects financially
7 feasible.

8 So what are we working on? Based upon our three
9 priorities all deal with that funding issue this year.
10 We are hoping to place another housing -- putting a bill
11 into the Legislature to place a housing bond on the 2026
12 ballot. That would be authored by Assemblywoman Wicks.
13 She had a bond last year. It came very close to making
14 the ballot. But it lost out to education and climate,
15 also good things. But we're hoping that housing gets to
16 the top of the list this year.

17 We are looking to increase those state low-income
18 housing credits that I talked about. They are
19 supporting about 6,000 units a year now at a level of
20 \$500 million. We would like to increase those state tax
21 credits to at least \$1 billion per year.

22 The idea here is that we would slowly, little by
23 little, increase the state's investment in affordable
24 housing year by year.

25 And then lastly, it is our understanding that the

1 cap-and-trade program will be up for reauthorization
2 this year.

3 Currently, 20 percent of those cap-and-trade
4 revenues go to an affordable housing known as affordable
5 housing and sustainable communities. It's affordable
6 housing near transit, so it reduces greenhouse gas
7 emissions. And we are looking to not only maintain that
8 20 percent, but if the opportunity arises, we would like
9 to expand on that 20 percent set aside of cap-and-trade
10 funding for affordable housing.

11 So we are looking to you all, the Board, as
12 your -- as your positions as individual elected
13 officials, or even as the Board, as an aggregate. We
14 can use all the help we can get. So we would love to
15 have your support for any one of those three measures or
16 any of the other things that we're working on. Frankly,
17 this is the graph that shows it all. We are 1.2 million
18 units short. We need to do better than 20,000 units
19 year.

20 Thank you very much.

21 DEPUTY STATE CONTROLLER EMRAN: Thank you,
22 Mr. Strivers. And appreciate the slide deck. It is
23 very, very eye popping in its own right; just shows how
24 short we are in terms of housing.

25 So I will turn it to Member Lieber, if you have

1 any questions or comments.

2 MEMBER LIEBER: Thank you so much for being here,
3 Mr. Stivers, and I think it is, you know, really implied
4 in your work and in your comments here today is the --
5 the stabilizing influence of housing, and it is really
6 so fundamental.

7 I have a large number of constituents that when I
8 meet with them, it is at their vehicle or on the street.
9 And it really is so difficult and draining to exist in
10 California in that precarious situation. And even the
11 smallest unit of affordable housing is very, very
12 stabilizing for individuals and definitely for a family.

13 So I am very interested in the bond measure. And
14 we'll -- we'll keep up with you on that. And I hope
15 that you will bring that to the Board of Equalization as
16 well.

17 So thank you.

18 MR. STIVERS: Thank you, Chair Lieber.

19 DEPUTY STATE CONTROLLER EMRAN: Thank you, Member
20 Lieber.

21 Mr. Stivers, I did have a question about
22 emergency housing.

23 MR. STIVERS: Please.

24 DEPUTY STATE CONTROLLER EMRAN: I think it's
25 something that's happening in the San Jose area.

1 Emergency housing sites, places where individuals can
2 get their own room, their own bathroom, which can lead
3 to privacy and safety and dignity and stability, upon
4 which they can have the training necessary to get back
5 on their feet.

6 Seeing this type of emergency housing, it's like
7 a sort of interim housing prior to permanent housing.

8 Can you speak to the benefits of that? And has
9 it been successful so far?

10 MR. STIVERS: Yes.

11 We're for all-in strategy. As we saw during the
12 pandemic, we actually rented a whole bunch of hotels
13 throughout California. The Governor did through the
14 Roomkey program with County support. And we housed a
15 lot of people that had been out on the street. That's a
16 phenomenally successful program.

17 The issue with interim housing always is, though,
18 is, okay, at some point, you would like folks to
19 transition into a permanent home. And the question is,
20 if that doesn't exist, where do they go? And so interim
21 housing needs to be part of a larger solution. It can't
22 be a solution in and of itself; or at some point, they
23 just transition back out onto the streets.

24 But it is a critical resource. It provides
25 shelter over people's heads at a time when they are

1 vulnerable. That's extremely important. But we also
2 need to make sure that they are creating that permanent
3 housing so that we have a place to transition people
4 into.

5 DEPUTY STATE CONTROLLER EMRAN: Understood.

6 And I just have one other question about rental
7 vouchers in general and how we can better improve that
8 process for a top-down review in terms of landlords,
9 accepting rental vouchers, and then also families being
10 able to move into neighborhoods where they are able to
11 access better schools and better roads and better
12 transportation in order to provide that upward mobility.

13 MR. STIVERS: Yeah. I would make three
14 recommendations on how we better utilize vouchers:

15 One is, we should better enforce the current
16 source of income discrimination law. So it is illegal
17 for a landlord to not accept someone because they have a
18 voucher or not accept a voucher generally. But
19 noncompliance with that is rampant, and there's not been
20 a whole lot of enforcement. We are hoping that will
21 kick in -- and soon.

22 Number 2 is that we have a proven track record
23 that, sort of, navigation services can really families
24 utilize these precious vouchers that are hard to
25 actually get a landlord to accept.

1 And those navigation services can be in terms of
2 helping families, you know, navigate the application
3 process at multiple apartment complexes. But it can
4 also be, you know, landlord incentives such as, you
5 know, assistance with a downpayment or guaranteeing
6 against any damages in the unit.

7 They are very -- are one-time, sort of, incentive
8 payments. There's lots of things you can do to help
9 bring landlords into the program.

10 And then, third, in California, what we actually
11 like to do a lot of times is project-base some of the
12 vouchers. We know it is difficult for tenants to find
13 them on the open market. But if we can assign those
14 vouchers to an affordable housing unit, not only does
15 the tenant then have a home -- we know they have a place
16 to go -- but, also, the affordable housing developers
17 can leverage that resource. They can get a private bank
18 to give them a bigger mortgage loan and we can -- we can
19 build more affordable housing with that money.

20 So three strategies that we would recommend.

21 DEPUTY STATE CONTROLLER EMRAN: Appreciate that.
22 Thank you so much, Mr. Stivers.

23 MR. STIVERS: You are welcome.

24 DEPUTY STATE CONTROLLER EMRAN: So we are going
25 to move on. And these are hard acts to follow. So no

1 pressure.

2 Rebecca Gonzales, Policy Advocate, Western Center
3 on Law and Poverty. She is a policy advocate. Public
4 Benefits and Access to Justice Team of the Western
5 Center. She has also worked for National Association of
6 Social Workers as the Director of Government Relations
7 and Political Affairs. She is a veteran of the
8 Legislature and having worked extensively with
9 leadership in the State Assembly. Welcome, Ms. Rebecca
10 Gonzales. And when you are ready, please begin.

11 MS. GONZALES: Thank you so much. My name is
12 Rebecca Gonzales. And I'm a Policy Advocate with the
13 Western Center on Law and Poverty. Thank you for
14 organizing this meeting to discuss policies regarding
15 the safety net and other issues of importance to
16 low-income Californians.

17 For over 50 years, the Western Center has
18 advocated for those in poverty in nearly every branch of
19 government, from the courts to the Legislature. Through
20 the lens of economic and racial justice, we primarily
21 advocate for housing, public benefits, and health care.

22 We appreciate the partnership with the Franchise
23 Tax Board as we have advocated to enable people and
24 entire communities to escape poverty. Recent policies
25 and programs implemented by the FTB have helped protect

1 the people we serve.

2 Along with our partner organizations, many who
3 have spoken here, we have worked to create and expand
4 the Earned Income Tax Credit, the Young Child Tax
5 Credit, and the Foster Youth Tax Credit, and appreciate
6 the work of the FTB to get these programs implemented.

7 These initiatives are a critical part of
8 California's efforts to reduce child poverty, lift
9 families out of deep poverty, and address income and
10 wealth inequality.

11 The FTB, besides collecting taxes, also collects
12 other government debts, including court-ordered debt,
13 government-owed child support, and public benefit
14 overpayments.

15 In some cases, the FTB collects these debts
16 through offsets to tax refunds. When those in poverty
17 are struggling to survive and do not receive their
18 expected tax refund, or only a small portion of the tax
19 refund, it can put them in a downward spiral and with
20 negative incomes, including homelessness.

21 We hear stories from legal aid organizations we
22 work with of people who are waiting for their refund to
23 repair a car they need for work or to rebuild their
24 savings so they will be able to weather income
25 fluctuations and still pay for rent and food.

1 During COVID, state stimulus payments were
2 protected from offsets for court-ordered debt. This
3 enabled these payments, which are issued in a time of
4 crisis to maximize their life-saving impact. Therefore,
5 we celebrate the recent changes in state law that will
6 protect the state EITC, Young Child, and Foster Youth
7 Tax Credits for the 2024 tax year and share our
8 appreciation for the FTB's efforts to ensure smooth
9 implementation of these protections.

10 But California should continue to expand and
11 refine these types of targeted protections, including
12 the current exception that allows tax refund offsets of
13 the \$6.4 billion in government-owed child support debt
14 for the poorest Californians that have been assigned to
15 the State to reimburse itself for public benefits.

16 The Western Center works with the Truth and
17 Justice in Child Support Coalition to ensure child
18 support payments go to children, instead of to the
19 government to reimburse itself for public benefits.

20 We also appreciate the efforts of the FTB to
21 implement recent reforms contained in AB 176 from
22 2000 -- 2021. This bill replicated common sense limits
23 on wage garnishment and bank levies for vehicle-related
24 and court-ordered debt, so that low-income Californians
25 would not be pushed into a financial crisis by FTB

1 collection activities.

2 Despite the go -- good work done since AB 176 has
3 been implemented, the protections do not protect against
4 bank levies or wage garnishment related to child or
5 spousal support, unpaid income taxes, government-owed
6 school loan debt, or restitution orders or restitution
7 fines.

8 For the thousands of Californians living in
9 poverty, more work needs to be done so that collecting
10 these types of debts does not drive them into a
11 counterproductive financial crisis that causes harm to
12 them and their families and that makes it less likely
13 they will be able to pay their debts in the future.

14 The Western Center also supported SB 516, which
15 would have required certain transparency and due process
16 protections for people who owe and pay government-owed
17 debt to the FTB; similar to those provided by federal
18 and state fair debt collection practice laws.

19 Unfortunately, this bill did not go forward, but
20 it would have helped people navigate what can be an
21 intimidating and confusing process, particularly for
22 low-income Californians who are unlikely to have an
23 advocate or tax attorney to advise them.

24 This bill would have provided people with basic
25 information about their debt and tax repayment options,

1 including what types of income are exempt from
2 collection so that they can make a realistic plan to
3 address their debts and contest any collection errors.

4 Most people who have debts referred to the
5 Franchise Tax Board cannot afford to pay the amount when
6 it was imposed. Collection actions that leave
7 Californians without enough income to pay their rent,
8 cover food, transportation, or meet other basic needs
9 drive individuals and families into financial --

10 MS. RUBALCAVA: Excuse me, Deputy Controller. We
11 have about one minute left.

12 MS. GONZALES: No problem.

13 -- and social instability.

14 This is wrong and costly to the State. The
15 provisions of this bill could provide a goalpost for
16 transparency and fairness to those experience poverty.

17 In summary, we must continue to expand targeted
18 tax credits and protect them from offsets. We must
19 continue to expand reasonable limits on collection
20 activities so that low-income Californians can meet
21 their basic needs, and we need to continue to improve
22 transparency and due process protections to those trying
23 to make ends meet.

24 We hope to partner with FTB on these issues going
25 forward.

1 Thank you.

2 DEPUTY STATE CONTROLLER EMRAN: Wonderful. Thank
3 you so much.

4 Member Lieber.

5 MEMBER LIEBER: Thank you.

6 And thank you, Ms. Gonzales, for being here
7 today.

8 I am very interested in the impact of collections
9 on individuals being able to provide for themselves and
10 their children and et cetera.

11 And do you know if SB 516 will be back in the
12 coming session?

13 MS. GONZALES: At this time, I do not know. But
14 I plan to explore that.

15 MEMBER LIEBER: Great. If you would keep in
16 touch with us about any related issues or if that bill
17 is coming back, I would be very, very interested.

18 MS. GONZALES: Thank you.

19 DEPUTY STATE CONTROLLER EMRAN: Thank you, Member
20 Lieber.

21 Just very quickly, I wanted to speak about
22 reliable transportation. Efficient, safe, affordable,
23 and accessible transportation systems not only promote
24 economic productivity and create jobs, but they can
25 increase access to employment and other essential

1 life-shaping opportunities that enable people to improve
2 their living condition and escape poverty. However,
3 transportation too often poses more, not less, barriers.

4 Persons might travel long distances on multiple
5 modes of transportation to reach their job site, or a
6 single parent has to hop on multiple buses to even take
7 their kid to work [sic]. Just one way -- or a senior
8 that can't make their medical appointments on time.

9 How can California work to effectively improve
10 transportation systems for working-class families?

11 MS. GONZALES: Well, you are absolutely correct.
12 The transportation -- reliable transportation is an
13 integral part of helping people make ends meet.

14 It is something -- it is a piece of the puzzle
15 that, like you said, gets people to work and makes sure
16 that they could, you know, drop their kids off at
17 childcare.

18 And I think a lot of times, the problems with
19 public transportation is that they don't help people
20 when they have those multiple needs, such as they need
21 to go to the childcare center to drop off their child
22 and then they need to have to go to work.

23 So I think investing in public transportation is
24 something that the State still needs to do to make it
25 run more often, be more reliable for folks.

1 And I do think -- you know, this isn't an idea I
2 have looked at. But I think that businesses should also
3 look at ways that they can help their workers that are
4 struggling. And a lot of workers, or a lot of
5 businesses, do have things like vanpools and expanding
6 those opportunities.

7 So I think it would be a combination of private
8 sector support, but also public support for public
9 transportation.

10 DEPUTY STATE CONTROLLER EMRAN: I agree.

11 We live in such a car culture here in California,
12 and I'm guilty of it too. But sometimes the
13 accessibility -- I have taken the SacRT here to the
14 Franchise Tax Board headquarters. It is so easy and
15 efficient and I think we need to promote that more as
16 well. And also just the Capitol Corridor as I come to
17 and from the Bay Area.

18 So thank you. I really appreciate that.

19 So we're going to move on to our next
20 presentation and the last speaker of the morning.
21 Alissa Anderson, Policy Director, California Budget and
22 Policy Center. Much of her work at the center focuses
23 on refundable income tax credits as tools for boosting
24 economic security. She has worked to provide analysis
25 to a coalition of groups working to strengthen and

1 expand the CalEITC. Her experience includes research on
2 the effectiveness of living wage policies, urban
3 planning, and the role of ESL in the life of new
4 Americans.

5 So welcome, Alissa. And when you are ready,
6 please begin.

7 MS. ANDERSON: Great. Thank you so much. Good
8 morning. Thank you for the opportunity to speak at this
9 important hearing.

10 My name is Alissa Anderson and I'm the Policy
11 Director at the California Budget and Policy Center.

12 At the Budget Center, we envision a California
13 where all people share in our state's wealth, no matter
14 their race, gender, age, or ZIP code. And we see the
15 state budget as a tool we can use to build toward that
16 vision of an equitable California.

17 I'm going to focus my remarks today on the vital
18 role that California's refundable income tax credits
19 play in helping Californians make ends meet.

20 As you know, these credits provide cash refunds
21 to help families and individuals struggling with the
22 high cost of living. And next year marks the ten-year
23 anniversary of California's first refundable credit, the
24 CalEITC. So this presents an opportunity to reflect on
25 the decade of progress we have seen, thanks to state

1 leaders, and expanding cash support provided to
2 Californians with low incomes through tax credits.

3 Since the CalEITC was created, California has
4 also established the Young Child Tax Credit and Foster
5 Youth Tax Credit. And collectively, these three credits
6 now provide over \$1.3 billion annually to Californians
7 with low incomes. That's about a seven-fold increase
8 since 2015. And this is a huge success worth
9 celebrating.

10 But we shouldn't stop here. It is essential to
11 continue building on this progress until every
12 Californian has the resources they need to thrive. And
13 here is why it is vital to continue investing in these
14 credits.

15 Millions of people across California continue to
16 struggle to afford basic needs every day. Persistently
17 high inflation has hit families and individuals with low
18 incomes especially hard, as price increases have risen
19 the most for food, housing, and other necessities that
20 make up the bulk of their spending.

21 And, in fact, we think that rising rent costs
22 could be a key reason why California's poverty rate
23 increased last year.

24 Currently, nearly one in five Californians are
25 living in poverty. And this is up dramatically from the

1 poverty rate we saw in 2021, which reached a historic
2 low due to the bold pandemic-era investments in the
3 safety net.

4 Among Black and Latinx Californians, the poverty
5 rate is especially high, closer to one in four, almost
6 double the poverty rate for white Californians,
7 reflecting deep-rooted inequities that are a direct
8 result of historic and ongoing racism.

9 Meanwhile, income is concentrated among a small
10 sliver of California's population. The richest
11 .1 percent of Californians have 12 percent of all income
12 in the state, and that's actually a larger share than
13 the entire -- the income of the entire middle fifth of
14 Californians. The average income of the top .1 percent
15 is nearly \$13 million compared to just \$51,000 for
16 Californians in the middle. So that means someone in
17 the top .1 percent makes in about one day what the
18 average middle-income Californian earns in a year.

19 And I want to emphasize that word "earns,"
20 because low- and moderate-income Californians are
21 working hard every day to earn their incomes, but still
22 can't afford basic needs.

23 It is important to keep in mind that most
24 Californians in poverty live in working families, yet
25 are still unable to afford to put food on the table.

1 And that's because having a job does not guarantee
2 economic security. This is why the safety net is so
3 vital, and we know the safety net works. Last year,
4 3.2 million more Californians would have lived in
5 poverty if it weren't for the safety net.

6 Unfortunately, families are facing new threats
7 from the incoming Trump Administration and leaders in
8 Congress who are planning to dramatically cut the safety
9 net further. So it will be absolutely critical for
10 state leaders to do absolutely everything possible to
11 mitigate that harm.

12 Here are some ways that state leaders can respond
13 in terms of strengthening state tax credits:

14 First, one logical place to start is to boost tax
15 credit take-up. Unfortunately, many Californians miss
16 out on tax credits they qualify for and end up leaving
17 hundreds and sometimes thousands of dollars on the
18 table. It is close -- it is vital to close this take-up
19 gap.

20 It is also essential to make it easier for
21 Californians to get the full credits that they are owed
22 by making sure that they can file their taxes for free.

23 The majority of CalEITC and Young Child Tax
24 Credit recipients pay to file their taxes even though
25 they are eligible for free filing services. And so that

1 means they are likely paying hundreds of dollars in
2 unnecessary tax filing fees that diminish their tax
3 refunds.

4 Key strategies to boost refiling and tax credit
5 take-up include providing ongoing funding to community
6 partners, who provide free tax prep assistance, and have
7 trusted relationships with tax filers.

8 Also fully leveraging the integration of CalFile
9 with the IRS Direct File portal to reach as many filers
10 as possible, and directly connecting public benefits
11 recipients to tax credits they are eligible for.

12 In addition to boosting take-up of tax credits,
13 it will be really important to continue building on the
14 success of California's credits.

15 And I have two recommendations:

16 First, California should increase the minimum
17 CalEITC to at least \$300. This would provide a more
18 meaningful credit to roughly 3 million households with
19 low incomes.

20 Why is this needed? Because over 80 percent of
21 households that get the CalEITC currently get less than
22 \$300. And about a million of those households aren't
23 eligible for the federal EITC. So all they are getting
24 is a very small CalEITC. And this includes well over
25 \$200,000 Californians who are immigrants and file their

1 taxes with ITINs.

2 Second, California should extend the Young Child
3 Tax Credit to all CalEITC-eligible families, essentially
4 to families with older children. Currently, the Young
5 Child Tax Credit is only available to low-income
6 families who have a child ages zero to five. That means
7 almost 60 percent of families with low incomes aren't
8 eligible for the credit.

9 Most of these families are excluded from the full
10 federal Child Tax Credit. For example, a family with
11 one child has to earn \$25,000 or more to get the full
12 federal tax credit. That is why California's Young
13 Child Tax Credit is so important. It provides a full
14 credit to families with the lowest incomes, including
15 families with no earnings from work at all. So it fills
16 in where the federal Child Tax Credit falls short; but,
17 again, only for families with the youngest children.

18 And so that's why it is important to extend this
19 credit to families with older children as well. This is
20 especially important for children who have ITINs, who
21 are completely excluded from both the federal Child Tax
22 Credit and the federal Earned Income Tax Credit.

23 How could California pay for such expansions?

24 It is worth remembering that California was able
25 to create the Young Child Tax Credit and significantly

1 expand the CalEITC thanks, surprisingly, to the Trump
2 tax cuts.

3 In 2017, the Tax Cuts and Jobs Act largely cut
4 taxes for corporations and the wealthy, but it included
5 some reasonable policies that raised taxes in
6 progressive ways that helped pay for the overall
7 package.

8 And California smartly conformed to some of those
9 provisions, raising enough state revenue to expand the
10 CalEITC and create the Young Child Tax Credit.

11 We know it is a top priority for the incoming
12 Trump Administration to extend tax breaks to
13 corporations and the wealthy. So perhaps there will be
14 another opportunity for California to take advantage of
15 those massive giveaways to boost tax refunds for
16 Californians with the lowest incomes.

17 Even if not, California could direct some of the
18 billions in tax breaks it provides to corporations and
19 the wealthy to people who struggle day to day, just to
20 put food on the table.

21 And this is important, of course, because all
22 Californians deserve to have the resources to thrive,
23 and it is important to remember that our state does have
24 the resources to make that vision a reality.

25 Thank you very much.

1 DEPUTY STATE CONTROLLER EMRAN: I want to thank
2 you, Ms. Anderson, for your presentation.

3 We do have time for one -- one question or
4 comment. Member Lieber.

5 MEMBER LIEBER: Just a statement real quickly.

6 I think you are right on track with your
7 strategies to be pursuing in the coming couple years.
8 And so I -- I think we're very interested to work with
9 you and would look forward to receiving any information
10 that you have about what the pursuit is going to be in
11 the legislative session.

12 MS. ANDERSON: That sounds great. Happy to
13 follow up with you.

14 MEMBER LIEBER: Thank you.

15 MS. ANDERSON: Thank you.

16 DEPUTY STATE CONTROLLER EMRAN: Thank you so
17 much. And these slides will be reflected in the record
18 as well.

19 So that ends the speakers of today.

20 And next, I understand we have a few members of
21 the public that are on the phone line. So we can go to
22 the phone line first. And then if there's any members
23 of the public in person that want to give comment, you
24 have three minutes for public comment.

25 So AT&T Operator, if you can hear me, can you

1 move to the public comments, please.

2 PHONE MODERATOR: Thank you.

3 Ladies and gentlemen, members of the public on
4 the phone lines, if you would like to place yourself in
5 queue for public comment, please press 1, followed by 0,
6 at this time. Again, for public comment, please press
7 1, followed by 0.

8 And our first company -- or our first participant
9 is Cristine Grab, private investor.

10 Please go ahead.

11 Christine, can you hear us?

12 MS. GRAB: Oh. Yeah. Can you -- can you guys
13 hear me?

14 DEPUTY STATE CONTROLLER EMRAN: Yes. We can hear
15 you, Ms. Grab. If you can proceed. You have three
16 minutes.

17 MS. GRAB: Okay. Can you hear me?

18 DEPUTY STATE CONTROLLER EMRAN: Yes.

19 MS. GRAB: Hello? Okay.

20 My name is Christine Grab.

21 I wanted to expand on points that Jessica and
22 Rebecca had made. Both of them had talked about how
23 FTB's aggressive collections taxes puts people into
24 poverty and stops them from being able to get out of
25 poverty.

1 But I also want to address that FTB has many
2 unethical business practices which throw people unfairly
3 into collections in the first place.

4 And then, as I experienced personally, once you
5 get into collections, it is almost impossible to get
6 out. Like FTB's system is so aggressive at preventing
7 taxpayers from clearing up or people in collections from
8 clearing up issues.

9 Plus, the Collections Department overcharges in
10 multiple ways, as I documented through court records.
11 And having to pay all this interest -- extra interest
12 and penalties and fees that were never actually owed
13 also keeps people from getting out of poverty.

14 So I would like it if FTB will address how it's
15 going to reform its internal system in order to make it
16 so that people are not unlawfully pushed into
17 collections. And how anyone who is in collections makes
18 it easier for them to get out of collections.

19 Thank you.

20 DEPUTY STATE CONTROLLER EMRAN: Thank you,
21 Caller.

22 Operator, can we move to the next caller, please.

23 PHONE MODERATOR: Thank you.

24 If there are -- as a reminder, you may press 1,
25 followed by 0, to place yourself into public comments.

1 1 followed by 0.

2 (No response.)

3 PHONE MODERATOR: Mr. Chair, nobody else is
4 queuing up.

5 DEPUTY STATE CONTROLLER EMRAN: Okay. Great.

6 So that's going to conclude our hearing.

7 I want to move to closing remarks by the members
8 of the Franchise Tax Board.

9 I will start first.

10 I just want to thank everyone for their
11 participation today. This is a deep, deep issue and is
12 becoming a problem, a widening problem, here in
13 California as we see more and more California families
14 struggling to make ends meet.

15 As the prices of everything have gone up, wages
16 and jobs have not necessarily kept up with pay. So this
17 work is vitally important. And I believe in the richest
18 country, in the richest state, in the world, there
19 should be no excuse for working families to not be able
20 to provide for themselves and for their children. And
21 we're going to continue to do this work here at the
22 Franchise Tax Board and across the state capitol, as we
23 work to provide assistance to these families and also
24 just give them hope that there's always going to be a
25 place for you here in California, in the Golden State,

1 to leave your dreams hopefully how you want.

2 So I want to thank you, Member Lieber and your
3 staff, for doing hard work today, organizing this
4 wonderful presentation. And the set of speakers for
5 making the trip here to Sacramento and providing us with
6 very deep and impactful slides and just oral
7 presentations as well. So I want to thank you again.

8 And, Member Lieber, I will turn to you for the
9 closing comments.

10 MEMBER LIEBER: Thank you so much.

11 And I want to thank our staffs, our BOE staff who
12 are here today, as well as the Controller's staff and
13 agency staff for all pitching in on this.

14 This is very important to me personally to
15 provide a platform in this agency to be able to talk
16 about the real lives of Californians, both those who do
17 essential jobs in California, without whom we cannot
18 function as a state. And those who are simply a part of
19 the fabric of our state and that we want to be able to
20 stay here in dignity and security.

21 I -- I'm going to be requesting a follow-up
22 hearing on disproportionality of low income in
23 California and focusing on both demographic and
24 geographic disproportionality.

25 And I think we can accommodate that before our

1 March meeting. It is the next step to really fleshing
2 out what we heard today from all of our speakers.

3 And I want to say a note of thanks to our
4 speakers for -- for their expertise, for their long
5 tenure on fighting on these issues. Many times these
6 are the most difficult issues within the public policy
7 sphere to talk about.

8 And I know that each of the advocates who was
9 here today has weathered a lot of comments from people
10 who are not impacted by poverty but believe that they
11 know quite a bit about it.

12 And so I hope that we can take this next step at
13 our March meeting to look at disproportionality that
14 affects women workers' lives; the lives of individuals
15 with disabilities, who are -- are working in California;
16 obviously our communities of color; and workers in
17 industries that have been identified as providing
18 persistently low wages that offset their externalities
19 and their costs on to the public.

20 And then lastly, I would really like to dedicate
21 this meeting and our time together to all of the people
22 who are doing their very best to survive.

23 And often, as we have heard from many folks who
24 have spoken today, it comes at a very high toll in terms
25 of stress illnesses; in terms of young children who

1 never really have a chance to develop, as Jessica
2 Bartholow alluded to, and who are impacted in profound
3 ways in terms of their lives in California.

4 I think that we can do better as a state, and we
5 must do better going forward, no matter what the
6 financial constraints are, no matter what the
7 bureaucratic restraints are. We have to do our best to
8 remove hurdles that cost low-income people money and
9 impact their lives so dramatically.

10 And so I would like to dedicate this meeting and
11 this platforming of these issues to their lives and
12 their efforts on behalf of all of us.

13 Thank you.

14 DEPUTY STATE CONTROLLER EMRAN: Thank you, Member
15 Lieber.

16 So we're at a good time here to take our lunch
17 break.

18 So before we call Item 2, we have a scheduled
19 recess at this time. And we will resume at 1:00 p.m.
20 The Controller, Malia Cohen, will be in attendance at
21 that time. So unless there are any objections, we are
22 recessed at 11:55.

23 Oh, yes. Any public comment in person?

24 Oh, wonderful. You can come up here to this
25 podium right here. So you will have three minutes.

1 MS. WILKINSON: Thank you so much.

2 Sam Wilkinson with GRACE and End Child Poverty in
3 California Coalition.

4 We want to just express so much gratitude to the
5 Chair, to FTB, for organizing this hearing, to expose
6 the consequences of California's growing income
7 inequality. And thank you for assembling an expert
8 panel of speakers, who were just outstanding today.

9 We have seen the incredible work of FTB to fight
10 poverty through your distribution of the CalEITC, the
11 Young Child Tax Credit, the Foster Youth Tax Credit; and
12 the wonderful efforts to create an -- accessible
13 opportunities for Californians to claim their credits.

14 As our speakers noted, institutionalization of
15 racism, sexism, and xenophobia and the prioritization of
16 private and corporate interests over human rights have
17 created the widespread poverty and inequality we see
18 today.

19 We need to strengthen and expand our investments
20 in Californians and especially those living in poverty.

21 As Alissa Anderson from the Budget Center noted,
22 we need to raise the CalEITC minimum. California state
23 tax credits are available to many people, such as those
24 filing with ITINs, that are ineligible for federal tax
25 credits. And as FTB recommended in SB 1409's report,

1 raising the minimum would encourage more Californians to
2 file and also reduce administrative burdens.

3 We also need to expand the Young Child Tax Credit
4 to cover all CalEITC-eligible families, not just those
5 with children younger than five.

6 We need to expand investments in free tax
7 preparation assistance, education, and outreach to
8 ensure people have trusted community-based partners to
9 turn to when filing.

10 In doing so, we as a state need to uplift and
11 consider tax fairness in our efforts to alleviate
12 poverty. Supporting families should not be done on the
13 backs of families. We need progressive, sustainable
14 revenues to reduce the racialized wealth gap and income
15 wealth gap you spoke to earlier, Chair.

16 Also -- "dee dee dee" -- it is vital that we
17 protect these credits from offsets. And we are
18 celebrating the upcoming protection of the CalEITC,
19 Young Child Tax Credit, and Foster Youth Tax Credit from
20 interception in Tax Year '24. But also I wanted to lift
21 up the points made today to minimize debt interception
22 in our state's great antipoverty tax credits.

23 We're also thrilled to support California in
24 FTB's continued participation in the Direct File IRS
25 pilot, and are excited to see integration with CalFile

1 funded.

2 We look forward to working with you on that.

3 Thank you so much.

4 DEPUTY STATE CONTROLLER EMRAN: Thank you.

5 Next speaker, please.

6 MS. BAUTISTA: Hi. Good morning. Good
7 afternoon. My name is Danielle with United Ways of
8 California.

9 I am really excited to be here. And thank you
10 again. Echoing my colleague's sentiments for putting on
11 this meeting. Really appreciative to everyone we have
12 worked with at FTB.

13 And just want to echo a couple of my colleagues'
14 sentiments, as well as some of the points that the
15 speakers raised up as well.

16 To quote Amy Everitt from Golden State
17 Opportunity, we need to put CalEITC on rocket fuel.

18 And I think as Alissa Anderson from the Budget
19 Center also uplifted, this is the tenth anniversary of
20 the CalEITC, and we have seen for so long, for the last
21 decade, going into next year, how impactful that has
22 been to households.

23 And in addition to my colleagues' sentiments, I
24 want to uplift that a \$300 CalEITC minimum would make it
25 easier to communicate from free tax partners to eligible

1 households, that they are able to claim that amount.

2 And complementary to that is the Young Child Tax
3 Credit, which my colleague uplifted as well. And
4 ensuring that households who are eligible for the Cal --
5 the Young Child Tax Credit or the CalEITC are also
6 eligible for the Young Child Tax Credit, would ensure,
7 again, that it would be easier to -- easier for
8 administrative ease. And then would, again, be better
9 able to communicate to eligible households that they can
10 claim both those credits.

11 And then, lastly, I want to uplift the importance
12 of restoring and, when possible, expanding investments
13 for CalEITC's outreach as well as free tax prep
14 assistance. And really just funding our trusted
15 on-the-ground partners, our community-based
16 organizations that are in California counties, all
17 throughout the state, providing free tax prep to
18 eligible households.

19 And really want to thank the speaker, Teri, from
20 Economic Security California as well, for uplifting the
21 importance of CalFile and Direct File. We believe it is
22 an amazing opportunity as well to provide an additional
23 opportunity for eligible households to not pay a dollar
24 to free tax prep.

25 Thank you so much for this opportunity.

1 DEPUTY STATE CONTROLLER EMRAN: Thank you so
2 much. I appreciate that.

3 Is there any other members of the public that
4 wish to comment in person that are here today?

5 (No response.)

6 DEPUTY STATE CONTROLLER EMRAN: Going once, going
7 twice. Public comment is now closed.

8 I wanted to thank you all again. I want to thank
9 Member Lieber. I want to thank the Franchise Tax Board
10 leadership as well.

11 So it is exactly 12:00 noon. We finished right
12 on time.

13 I want to thank everyone again. We're going to
14 be on an hour lunch recess. And we will reconvene here
15 at 1:00 p.m.

16 Thank you so much.

17 (Break taken in proceedings)

18 (Time noted: 12:00 p.m.)

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1 AFTERNOON SESSION

2 1:09 P.M.

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4 CHAIRPERSON COHEN: This meeting will now come to
5 order. It is 1:09.

6 Item 2, Members, is the approval of the minutes.
7 We have minutes from the September 9th, 2024, Franchise
8 Tax Board meeting.

9 Members, do you have any comments or questions?

10 (No response.)

11 CHAIRPERSON COHEN: No questions, no comments.

12 All right. That's good.

13 Is there any member of the public that would like
14 to speak on this item?

15 Okay. Seeing none that are in this chamber,
16 let's check to see if there's anyone online, on the
17 phone line.

18 Is there anybody?

19 PHONE MODERATOR: Thank you. Ladies and -- yes.
20 Thank you. Ladies and gentlemen, members of the public,
21 if you would like to place yourself in queue for public
22 comment, please press 1, followed by 0, at this time. 1
23 followed by 0.

24 (No response.)

25 PHONE MODERATOR: And nobody is queuing up at

1 this time.

2 Please continue.

3 CHAIRPERSON COHEN: All right. Thank you very
4 much.

5 Do I have motion for approval of the minutes?

6 MEMBER LIEBER: So moved.

7 CHAIRPERSON COHEN: All right. Motion moved by
8 Sally Lieber.

9 Is there a second?

10 MEMBER PERRAULT: Second.

11 CHAIRPERSON COHEN: All right. Second.

12 Let's -- Board Liaison, please call the roll.

13 MS. RUBALCAVA: Member Lieber.

14 MEMBER LIEBER: Aye.

15 MS. RUBALCAVA: Member Perrault.

16 MEMBER PERRAULT: Aye.

17 MS. RUBALCAVA: Chair-Controller Malia Cohen.

18 CHAIRPERSON COHEN: Aye.

19 All right. Thank you.

20 This motion passes unanimously.

21 Next we have Agenda Item Number 3, which is a
22 regulation matter regarding the 2025 Rulemaking Calendar
23 presented by Brian Werking, which is a Board approval
24 item.

25 Good afternoon.

1 MR. WERKING: Thank you. And good afternoon,
2 Madam Chair, and Members of the Board.

3 My name is Brian Werking. I'm an Attorney IV
4 with the FTB Legal Division's Technical Resources
5 Bureau.

6 As required by Government Code section 11017.6,
7 FTB delivers a Board-approved rulemaking calendar to the
8 Office of Administrative Law annually. The calendar
9 provides required information on regulatory items FTB
10 plans to transmit during the year for review and
11 approval as part of the rulemaking process.

12 The 2025 Rulemaking Calendar in your materials
13 shows the regulation projects FTB staff plans to work on
14 during the 2025 calendar year and provides updates to
15 each project's current status.

16 As in the past, the Board's approval of the
17 calendar, and any items identified on it for which staff
18 has not previously received Board approval to begin the
19 regulatory process, serves as an explicit approval by
20 the Board to allow FTB staff to begin the informal
21 regulatory process and hold interested parties' meetings
22 for all calendared items.

23 At this time, I respectfully ask for your Board's
24 approval of the 2025 rulemaking calendar. Thank you.
25 And I'm happy to answer any questions that the Board may

1 have.

2 CHAIRPERSON COHEN: All right. Thank you.

3 Let's see. Colleagues, are there any questions
4 of Mr. Werking?

5 (No response.)

6 CHAIRPERSON COHEN: No? All right.

7 Well, I don't have a question.

8 Maybe we should go to public comment to see if
9 there's any comment. Anyone in the chamber who would
10 like to comment on the presentation?

11 (No response.)

12 CHAIRPERSON COHEN: Don't all rush the
13 microphone.

14 (Laughter.)

15 CHAIRPERSON COHEN: Okay. All right. Seeing
16 none, let's check on the teleconference line to see if
17 there's any member of the public.

18 PHONE MODERATOR: Thank you.

19 Members of the public on the phone lines, if you
20 would like to place yourself in the queue for public
21 comment, as a reminder, you may press 1, followed by 0,
22 at this time. 1 followed by 0.

23 (No response.)

24 PHONE MODERATOR: Madam Chair, no members of the
25 public are queuing up at this time.

1 Please continue.

2 CHAIRPERSON COHEN: Thank you very much. Your
3 lunch must be sitting heavy on your stomach and all your
4 blood has left your brain and is helping your stomach
5 digest. That's what it is, isn't it?

6 Okay. We'll give you 30 minutes and then
7 hopefully you'll come back alive.

8 All right. In the meantime, thank you very much
9 for the presentation.

10 Is there a motion on the request to approve the
11 2025 Rulemaking Calendar? May I have a motion?

12 MEMBER PERRAULT: So moved.

13 CHAIRPERSON COHEN: Motion made by Member
14 Perrault.

15 Is there a second?

16 MEMBER LIEBER: Second.

17 CHAIRPERSON COHEN: Second by Ms. Lieber. Thank
18 you very much.

19 Let's go ahead and call the roll.

20 MS. RUBALCAVA: Member Lieber.

21 MEMBER LIEBER: Aye.

22 MS. RUBALCAVA: Member Perrault.

23 MEMBER PERRAULT: Aye.

24 MS. RUBALCAVA: Chair-Controller Malia Cohen.

25 CHAIRPERSON COHEN: Aye.

1 Thank you. Motion carries unanimously.

2 Our next item is Item Number 4, which is a
3 fantastic legislative matter with the presentation from
4 one of FTB's finest. It is a legislative proposal by
5 Denis Armstrong and we will be -- he is seeking our
6 approval. Let's see if he earns it.

7 Okay. It is yours.

8 MR. ARMSTRONG: Good afternoon, Madam Chair and
9 Board Members.

10 My name is Denis Armstrong, and I'm the
11 Legislative Director for the Franchise Tax Board.

12 On an ongoing basis, FTB identifies possible
13 ideas for legislative proposals that can ease tax
14 administration, including the one presented before you
15 today for your consideration.

16 This particular proposal relates to federal
17 Direct File notification. State law requires California
18 employers to notify employees of possible eligibility
19 for VITA, CalFile, and state and federal antipoverty tax
20 credits, including the Federal EITC and CalEITC.

21 This proposal would add the IRS's Direct File
22 program to the notice that employers already provide
23 their employees regarding eligibility for these
24 programs.

25 Earlier this year, the IRS rolled out a federal

1 pilot program called Direct File, which allowed
2 taxpayers to file their 2023 federal tax return online
3 for free and directly with the IRS.

4 This program will be made permanent beginning
5 with the 2025 tax filing season.

6 Informing taxpayers about the federal Direct File
7 tool, which refers the taxpayers to California's CalFile
8 program, would likely increase participation in both
9 programs.

10 Implementing the proposed changes would likely
11 increase taxpayer awareness of free federal and state
12 income tax filing options, increase the State's CalFile
13 participation, and increase participation in antipoverty
14 tax credit programs, such as the Federal and California
15 EITC.

16 There are no departmental costs associated with
17 this proposal and no direct revenue impact to the
18 General Fund.

19 In addition, we recently had our annual
20 legislative proposal stakeholder meeting on
21 December 3rd to present this idea to the public for
22 input. The idea seemed well-received by all parties.

23 Thank you, Madam Chair and Board Members, for
24 your time today. I respectfully ask for your approval,
25 and I'm happy to answer any questions you may have.

1 Thank you.

2 CHAIRPERSON COHEN: All right. Thank you very
3 much.

4 Member Lieber, I know this is an issue that's
5 close to your heart.

6 Why don't you kick us off?

7 MEMBER LIEBER: It is.

8 And I have a question: So under this proposed
9 legislation, would it be indicating that the information
10 about Direct File should be presented in the same manner
11 and alongside of CalFile?

12 MR. ARMSTRONG: Absolutely. So the prescribed
13 language is found in Revenue and Taxation Code section
14 19854, and it is simply -- it simply adds this program
15 to the already-established language which includes
16 CalFile, EITC, and the other antipoverty programs.

17 MEMBER LIEBER: Okay. So presuming there's a
18 poster in the breakroom, it would advertise both CalFile
19 and Direct File?

20 MR. ARMSTRONG: There are -- the ways in which
21 employers comply with the proposal would be -- could be
22 different for each -- for each employer. But, yes, that
23 is an opportunity for them to comply well.

24 MEMBER LIEBER: Okay. Thank you.

25 CHAIRPERSON COHEN: I have a question.

1 How can FTB leverage their recourses to make sure
2 that the benefits of CalFile, that they are made -- that
3 they are made public?

4 MR. ARMSTRONG: Absolutely. We will continue
5 leveraging our current educational material and just
6 make sure that we continue to review our educational
7 material on an annual basis to make sure it's available
8 for all our stakeholders.

9 CHAIRPERSON COHEN: Okay. Thank you.

10 Perrault wants to keep her hands clean because
11 it's a "leg" matter. So she will be abstaining just in
12 case you are wondering.

13 Thank you very much. I appreciate the
14 presentation.

15 Seeing that there are no other questions from
16 this body, let's go into the audience.

17 Members of the public, this is an opportunity to
18 weigh in on an important legislative matter that's going
19 to affect your life and your neighbors' lives.

20 Is there anything you would like to say?

21 (No response.)

22 CHAIRPERSON COHEN: Okay. Let's go to the
23 teleconference line.

24 PHONE MODERATOR: Thank you.

25 Members of the public on the phone lines, if you

1 would like to place yourself in the queue for public
2 comment please, as a reminder, please press 1, followed
3 by 0, at this time. 1, 0.

4 (No response.)

5 PHONE MODERATOR: No members of the public are
6 queuing up at this time.

7 Please continue.

8 CHAIRPERSON COHEN: All right. Thank you very
9 much.

10 Is there a motion on the -- on the request for
11 approval of the legislative proposal?

12 I will make a motion.

13 Is there a second?

14 MEMBER LIEBER: I will second it. But I have a
15 comment.

16 CHAIRPERSON COHEN: Okay. Member Lieber, you go
17 ahead and make your comment and then we will take the
18 vote.

19 MEMBER LIEBER: My understanding, from looking at
20 the FTB's website, is that currently there isn't a link
21 to the Federal Direct File because the Direct File is --
22 has been newly emerging.

23 But do we anticipate that on the FTB's website,
24 there will be access to Direct File as well as CalFile?

25 MR. ARMSTRONG: That is something that we

1 continuously review. And, yes, the goal is to have it
2 on there to make it easier for taxpayers to have access
3 to all of the recourses available to them.

4 MEMBER LIEBER: Fantastic. Thank you.

5 CHAIRPERSON COHEN: Mr. Armstrong, as you know,
6 this is an important matter, that both Lieber and I are
7 watching. We have had probably hours of hearings now at
8 this point on this -- on this particular matter. So
9 we'll be continuing -- we will hear this again in the
10 future.

11 Thank you very much.

12 All right. Just to reflect, a motion was made by
13 myself; and it was seconded by Member Lieber.

14 Please take a roll call vote.

15 MS. RUBALCAVA: Member Lieber.

16 MEMBER LIEBER: Aye.

17 MS. RUBALCAVA: Chair-Controller Malia Cohen.

18 CHAIRPERSON COHEN: Aye.

19 Thank you. Just let the record reflect that
20 Member Perrault is abstaining.

21 MR. ARMSTRONG: Thank you very much.

22 CHAIRPERSON COHEN: Okay. Folks, we're going to
23 move on.

24 The next item is Item 5. And it is the Annual
25 Taxpayer Bill of Rights hearing. One of my favorite

1 times of the year. We get to hear from the public.

2 This is the time set for the Board's Annual
3 Taxpayer Bill of Rights Hearing, as required by section
4 21006 of the Revenue Tax Code.

5 The purpose of this hearing -- just in case you
6 are wondering why we do this year after year. Well, the
7 purpose is to allow taxpayers and tax practitioners an
8 opportunity to present directly to the Board any
9 proposals that they may have for changes in existing
10 state income tax law.

11 The FTB staff is going to be available to respond
12 to any questions that may arise as a result of the
13 taxpayer proposal.

14 Present in this chamber are Selvi Stanislaus, our
15 Executive Officer; Craig Scott, Acting Chief Counsel;
16 Shane Hofeling, Deputy Chief Counsel; and Angela Jones,
17 our Taxpayer Rights Advocate.

18 The staff will analyze the fiscal and
19 administrative consequences of the proposals and will
20 provide responses at a later time.

21 Angela has some introductory comments and then we
22 will open it up for public comment.

23 If there is any individual that has a need, the
24 electronic switching system -- ESS -- assistance; they
25 can call 1-800-883-5910. 1-800-883-5910. And when

1 prompted, please push 5. Then follow the additional
2 prompts.

3 All right. Ms. Angela, would you like to make
4 your introductory comments?

5 MS. JONES: Yes. Thank you, Madam Chair.

6 CHAIRPERSON COHEN: You are welcome.

7 MS. JONES: Good afternoon. Thank you, Madam
8 Chair and Board Members.

9 My name is Angela Jones. Today I am honored to
10 address you in my second year as the Franchise Tax
11 Board's Taxpayer Rights Advocate of this great golden
12 state of California.

13 Like last year, multiple disasters again impacted
14 California taxpayers. I thank FTB, tax professionals,
15 taxpayers, and other external stakeholders for their
16 collaboration and support as we navigated through
17 another filing season together. I am sincerely
18 grateful.

19 One of our core objectives in the Taxpayer Rights
20 Advocate's Office is to ensure every taxpayer,
21 regardless of their background, has access to the
22 resources and support they need to navigate our tax
23 system effectively.

24 This year, we made significant strides to reach
25 underserved communities that often face the greatest

1 challenges to understand and comply with their tax
2 obligations due to language barriers and lack of access
3 to resources or systemic inequalities.

4 We recognize that California is one of the most
5 diverse states in the country, with many taxpayers
6 speaking languages other than English in their homes.

7 To better serve these populations, we expanded
8 our outreach efforts to communities where access to tax
9 assistance has historically been limited.

10 Through partnerships with community organizations
11 and the IRS, we participated in tax clinics and
12 educational workshops designed to help low-income
13 taxpayers, immigrants, and others in underserved areas
14 understand their rights and obligations.

15 These workshops were offered in various languages
16 to ensure that language would never be a barrier to
17 receive the support they deserve.

18 Some highlights include:

19 A workshop to educate gig workers on their
20 California requirements was presented in English,
21 Ukrainian, and Russian.

22 IRS and Negozee Small Business Event. Negozee
23 focuses on helping Spanish-speaking entrepreneurs.

24 IRS Rule Partner Action days, where resources and
25 services are brought directly to underserved rural

1 communities.

2 A Spanish translator was available during these
3 events.

4 We also provide education and outreach through
5 our Foreign Scholar Program. The program provides tools
6 and resources to international students and scholars
7 present in the U.S. We partner with various UC campuses
8 throughout California. We present information on
9 residency and domicile and include comprehensive
10 examples to ensure the scholars have the necessary tools
11 to file an accurate tax return.

12 In addition to education outreach, our Tax
13 Appeals Assistance Program, referred to as TAAP, offers
14 free legal assistance to eligible taxpayers of limited
15 means, who filed an appeal to the Office of Tax Appeals
16 on an action taken by the FTB.

17 We partner with several California law schools to
18 provide this free service. The law students are
19 supervised by our experienced TAAP attorney. And our
20 supervising attorney is fluent in English, Mandarin, and
21 Cantonese.

22 TAAP also prioritizes recruiting law students
23 with multilingual speaking skills. This semester, we
24 have students fluent in Arabic, Russian, Armenian,
25 Bisaya, French, Korean, and Mandarin.

1 In addition, the participating universities
2 provide translation services for Spanish-speaking
3 taxpayers.

4 My team and I are proud to have helped thousands
5 of taxpayers this past year, and our goal is to expand
6 our reach even further in the years to come.

7 As we transition into receiving comments and
8 concerns, I thank you in advance, as these issues raised
9 will help us to improve our processes and services.

10 For the speakers calling in today, we will review
11 your comments and concerns presented and are committed
12 to respond in writing by February 3rd, 2025. The
13 responses will also be posted on the Franchise Tax
14 Board's website.

15 In closing, I thank you, Selvi, and your Division
16 Chiefs for your support throughout the year. Thank you
17 to Controller Cohen, Deputy Controller Emran, and Board
18 Members, for providing their valuable perspective,
19 experience, and support of the Franchise Tax Board
20 mission, to continually strive to optimize the services
21 provided to California taxpayers and tax professionals.

22 And, lastly, but certainly not least, I would
23 thank to my amazing team for educating and advocating
24 for all California taxpayers and tax professionals.

25 Thank you, Madam Chair.

1 CHAIRPERSON COHEN: No problem. Thank you,
2 Ms. Jones.

3 Appreciate the commentary you gave on the
4 importance of having language access to -- to state
5 government.

6 What I would like to do -- first, let me check
7 in.

8 Colleagues, do you have any questions or opening
9 remarks? Any concerns?

10 (No response.)

11 CHAIRPERSON COHEN: None? All right.

12 Let's go ahead and we will open up for any member
13 of the public to speak at this time. Please remember to
14 introduce yourself and who you are representing, if
15 applicable. And we would like to request that you limit
16 your comments to five minutes -- which is a long time;
17 you don't have to feel obligated to do five minutes --
18 but that is the maximum amount of time, to ensure that
19 everyone will have time to speak.

20 So first what I'm going to do is I'm going to go
21 to the members of the public that are on the phone line.
22 And we will take comment from them. And then we will
23 move into those that are in the audience today. Okay?

24 So if there's any member on the public -- if
25 there's any member of the public on the phone line who

1 would like to comment, please unmute yourself.

2 Operator?

3 PHONE MODERATOR: Ladies and gentlemen on the
4 phone lines, if you wish to place yourself into the
5 queue for public comment, as a reminder, press 1,
6 followed by 0, at this time. 1 followed by 0.

7 And let's go to the line of Renee Rodda
8 representing Spidell Publishing.

9 Please go ahead.

10 MS. RODDA: Thank you very much.

11 First of all, I would like to take a moment on
12 behalf of myself and the team at Spidell to thank all of
13 you for the opportunity to share our suggestions and
14 insights. I would also like a minute -- to take a
15 minute to thank the FTB staff for their dedication and
16 commitment to serving the needs of California taxpayers.

17 We have had a stressful few years leading into
18 this filing season, and I think we were all really
19 looking forward to the onset of a relatively quiet tax
20 year.

21 And we really can't thank the FTB enough for
22 everything they did to work with taxpayers and the tax
23 professional community to get us through the challenging
24 times related to COVID-19 and the 2023 natural tax --
25 natural disasters. While we did have some disasters in

1 2024, I think it was certainly a much quieter year. And
2 so we were all grateful for that.

3 I would like to comment, though, we have noticed
4 several pain points that we think many taxpayers and
5 professionals experienced. And I think they were
6 exacerbated by a lack of timely and clear communication.
7 And I think we can break them down into three areas, but
8 I think just improving communication can really benefit
9 tax preparers and taxpayers alike.

10 The first area I would like to address is notice
11 releases. We saw an inordinate number of notices that
12 went out at the same time earlier this year. It
13 happened in the middle of filing season, which I think
14 put a tremendous burden on taxpayers and tax
15 professionals, but also on the FTB tax Practitioner
16 Hotline and Customer Service Representatives.

17 We understand that a lot of this is related to
18 notices that were held up during COVID-19 and for the
19 2023 natural disasters. But I think it is a good time
20 for all of us to take a reminder that, previously, we
21 would put notices on hold until -- or the Franchise Tax
22 Board would put notices on hold until a certain period
23 and then release them.

24 I think the problem we had this year was, there
25 were so many notices that went out all at one time, and

1 they weren't necessarily held until an appropriate date.

2 So just a reminder that I think it benefits both
3 the tax professional and taxpayer community, as well as
4 the Franchise Tax Board, to consider, for future sends,
5 holding them until a period where we don't already have
6 so much traffic on the phone lines and for FTB
7 representatives, and phasing those notices in to sort of
8 stagger the release, so that we are not creating an
9 onslaught of inquiries and calls related to those
10 notices. I think that would really help everyone.

11 The second point I would like to cover is
12 disaster postponement.

13 The San Diego -- San Diego disaster postponement
14 relief created sort of a secondary disaster for
15 taxpayers and tax professionals alike.

16 So in 2023, when we had sort of a blanket
17 postponement related to disasters across the state,
18 except for a very small number of taxpayers, the FTB
19 didn't require taxpayers to indicate on their returns
20 that they were in a disaster area.

21 And then when we moved into the '24 filing
22 season, we went back to sort of the prior-year way of
23 doing things, where taxpayers needed to designate on
24 their return that they were in an area that was eligible
25 for a disaster.

1 And I think this was missed by practitioners as
2 well as software companies, and it caused a problem for
3 taxpayers to qualify for disaster relief, but didn't
4 properly designate it on their return.

5 And we, at Spidell, heard from hundreds of tax
6 professionals regarding erroneous notices going out to
7 those clients, which, again, resulted in hours on the
8 phone and responding to notices.

9 So I -- I would first like to commend the
10 Taxpayer Advocate's Office for working with us to send
11 out communications to the tax professional community and
12 for setting up dedicated email addresses for taxpayers
13 and tax professionals to use when we brought this to
14 their attention.

15 It was little bit too late for a number of
16 taxpayers, and so I think in years where we have
17 policies changing, if we can communicate those changes
18 out to taxpayers and the tax practitioner community, I
19 think that will eliminate a lot of headaches.

20 We are also concerned about the new process for
21 granting disaster postponement relief that was enacted
22 by SB 167 earlier this year. We understand that that
23 relief that's going to be provided is no longer in the
24 FTB's hands, and it has been transferred to the
25 Department of Finance.

1 And I think my concern with this is that while we
2 haven't had any federally declared disasters in
3 California, there are often dozens of non-California
4 disasters in any given year that can impact California
5 taxpayers: Multistate businesses, taxpayers filing
6 California returns, who don't necessarily live in
7 California --

8 MS. RUBALCAVA: Excuse me, Chair. Time has
9 expired.

10 CHAIRPERSON COHEN: I'm sorry. Speaker, you
11 have -- you have used up your five minutes. But you can
12 please finish your sentence.

13 MS. RODDA: Yep. Sure. Yep.

14 I just urge you to work with the Department of
15 Finance to find a better way to communicate disaster
16 relief to taxpayers in a more timely fashion, especially
17 when it comes close to a filing deadline.

18 Thank you.

19 CHAIRPERSON COHEN: Thank you.

20 Next speaker, please. Operator, please call the
21 next call.

22 PHONE MODERATOR: Thank you.

23 Our next speaker will be Lenny Goldberg
24 representing the California Tax Return Association.

25 Please go ahead. Mr. Goldberg, your line is

1 open.

2 MR. GOLDBERG: Does that mean the California Tax
3 Reform Association?

4 Hello to all of you. I'm somewhat out of
5 retirement -- (teleconference malfunction) -- the CTFA.
6 And I have appreciated, over many years, the work that
7 the Franchise Tax Board has done.

8 I want to relate my comments to the excellent
9 hearing that you had this morning, which spoke to the
10 need, in many cases, for more revenue.

11 And I think there are places where the FTB must
12 be much more diligent in seeking out some of the revenue
13 that is -- has been uncollected and due to the state of
14 California.

15 About ten years ago, at our advocacy, the
16 Legislature -- reporting on out-of-state like-kind
17 exchanges. This is clearly the 1031 exchanges which
18 when they go out of state, the tax is deferred and often
19 not collected, we believe to the tune -- it was about
20 50 million then. And now to the tune of about well over
21 a hundred million, which could make a difference in many
22 of the programs that were talked about this morning.

23 We required reporting on that.

24 And then the question would be, what is the
25 success of the program? We know it took a long time,

1 and we don't know why the FTB took quite a while to
2 implement it. And we think it actually is related to a
3 number of problems, including affordable housing, where
4 large corporate housing owners sell their properties and
5 move their -- their tax capital gains out of state.

6 So we're -- would like a serious update on what's
7 happened with that program of reporting; how much money
8 has been collected.

9 As you know, if somebody sells in Nevada, they
10 don't pay an income tax. They bring that money back to
11 California. That is -- and we hope that the exchange,
12 the capital gain on those exchanges, has not been
13 avoided. And what it -- there's a program that the FTB
14 has set up, and we would like a full reporting about the
15 nature of that program.

16 Second issue. The sales factor. In looking at
17 your -- some of your assessments and in some of your
18 data, the average sales factor for California is about
19 7.8 percent.

20 And we know from a court case that a huge
21 multinational corporation has a -- is reporting a sales
22 factor -- factor of 7 percent.

23 We think that the sales factor is a very
24 avoidable and manipulable factor. It is a very
25 generous technique for companies since we moved away

1 from three-factor apportionment.

2 But, at the same time, we believe that many
3 companies are underreporting their sales factor and
4 particularly in technology where it is very hard to get
5 a grasp on what that sales factor would mean -- would
6 be.

7 There is legislative -- there are -- there are
8 legislative opportunities to correct that, but we would
9 like some data, and we would like the data to be
10 reported by industry and company size.

11 So we understand for a small or out-of-state
12 companies, their sales factors in California may be
13 small. But if we can look at company size and
14 industries and by industry, we would like a reporting
15 and -- yeah -- on the -- on the average sales factors
16 for those industries and for those large-sized
17 companies.

18 The very large-sized companies, if they are
19 reporting Water's Edge, should have a factor on the
20 order of 14 percent and not, say, reflecting the U.S.
21 economy, and not 7 percent.

22 So that is a big revenue loss that, again, for
23 the programs people were talking about this morning
24 could definitely be addressed.

25 And a third question. On Water's Edge, we have

1 had trouble getting data, and that's because you went
2 after a percentage of companies that file Water's Edge.
3 You would have to know what the up -- (teleconference
4 malfunction) -- if they are a multinational.

5 So we have a more simple data request, which we
6 sent to the Advocate prior to this meeting, which is
7 what are the numbers of Water's Edge company --
8 multi-corporations reporting Water's Edge by size and by
9 industry?

10 Obviously, the sizes are going to be very large.
11 By industry, we would like to know who is reporting.
12 You know, are there any number of -- any number of
13 industries that you -- you all identify in your
14 normal -- in your normal data reporting?

15 If any -- this data may be available on the
16 updated data port -- data portal, but I was unable to
17 find and particularly with regard to sales factor.

18 So if you can tell us who -- what --

19 CHAIRPERSON COHEN: Thank you, Speaker. Your
20 time is up.

21 MR. GOLDBERG: -- number of companies are
22 reporting in Water's Edge by size, sales factor --

23 CHAIRPERSON COHEN: Mr. Speaker.

24 MR. GOLDBERG: -- and please let us know the
25 report on your like --

1 CHAIRPERSON COHEN: Sir, your time is up.

2 Thank you.

3 PHONE MODERATOR: Okay. And next we will go to
4 the line of Christine Grab, who is representing herself.

5 Please go ahead.

6 CHAIRPERSON COHEN: Christine, can you hear us?

7 MS. GRAB: Sorry. I forgot to take it off mute.

8 CHAIRPERSON COHEN: That's okay.

9 MS. GRAB: My name is Christine Grab.

10 CHAIRPERSON COHEN: Christine, you have five
11 minutes. Christine, watch your time. You have five
12 minutes.

13 MS. GRAB: Okay.

14 One: Full disclosure of information regarding
15 FTB's no payment suspense account. FTB has stated that
16 estimated tax payments are immediately identified as
17 revenue and turned over to the State Controller.

18 FTB has stated that some types of estimated tax
19 payments are not immediately applied to the taxpayer's
20 account. These payments are held in suspense until the
21 taxpayer files that year's return.

22 In Grab versus FTB, FTB provided documents
23 showing the estimated tax payments held in suspense are
24 identified as "no payment." The only purpose to
25 identify a payment as a "no payment" is to not count

1 those funds as revenue.

2 I also documented accounting irregularities with
3 these withheld payments, making it appear these funds
4 are utilized. I requested FTB provide full disclosure
5 about this "no payment" suspense account, including who,
6 when, where, why, and how these funds can be utilized.

7 Two: Disclose exactly when tax payments are
8 applied to the taxpayer's account. This is the third
9 year that I have asked FTB to disclose exactly when it
10 applies each type of tax payment to the taxpayer's
11 account. FTB's previous responses were evasive and
12 deceptive.

13 Three: Disclose which payments and/or portions
14 of payments are recognized for interest calculation
15 purposes.

16 In Grab versus FTB, it was disclosed that for the
17 purpose of calculating interest, FTB only recognizes
18 some of the payments that have been made and only
19 portions of other payments made. Thus, the taxpayer
20 pays more interest than they should because it falsely
21 appears that the taxpayer had a higher outstanding
22 balance than they actually did.

23 My wish is for FTB to disclose the guidelines for
24 determining which payments and portions of payments are
25 included in the totals collected for the purpose of

1 calculating interest.

2 When I asked for this information in previous
3 years, FTB responded as if I had asked for different
4 information.

5 Four: Disclose the laws which justify not
6 including payments into NPA totals and denying protests
7 on the grounds that FTB underreported the payments.
8 Revenue and Tax Code 19087 states that a Notice of
9 Proposed Assessment can only be issued on accounts that
10 have an outstanding liability due for that year. FTB
11 withholds some payments from NPA totals. I request the
12 Legal Code would justify not crediting all the payments
13 on the NPA.

14 FTB also does not allow protests of NPAs, on the
15 basis that the full amount of money collected was not
16 reflected on the NPA total. I request the Legal Code to
17 justify this denial of the right to protest.

18 Five: Prove that the scheme where collections
19 agents overcharge constituents has been halted. In Grab
20 versus FTB, I documented that on two separate occasions,
21 FTB collections agents directed me to send more money
22 than was due, then falsified their internal records to
23 make it appear that was always the amount due.

24 FTB never denied these allegations in court, and
25 failure to deny constitutes admission of truth. My wish

1 is that FTB provide proof that the scheme has been
2 halted.

3 Six: Conform to IRS guidelines by considering
4 married couples as one tax entity. The IRS treats
5 married couples as one taxing entity from the moment the
6 couple notifies them of marriage until the couple
7 notifies them that the status has changed.

8 FTB did not follow this precedent. FTB requires
9 married people to pay more estimated taxes and penalties
10 than is owed. FTB does eventually refund the excess
11 money, but FTB charges taxes on the refunds.

12 In Grab versus FTB, I alleged that this is an
13 embezzlement and racketeering scheme. FTB never denied
14 the allegations.

15 Financially penalizing the married is a violation
16 of the 14th Amendment. My wish is that California
17 conform to IRS guidelines.

18 Seven: The Advocate must address issues of
19 constitutional violations. On FTB's website, it states
20 the Taxpayer Rights Advocate will not accept your case
21 if it questions the constitutionality of the tax system
22 or tax laws. This is unconscionable. It is the job of
23 the Advocate to protect taxpayers' rights.

24 FTB has been caught not applying estimated tax
25 payments, overcharging interest, overcharging married

1 couples, and violating due process laws. All of these
2 are violations of our constitutional rights.

3 My --

4 CHAIRPERSON COHEN: Time.

5 MS. GRAB: -- wish is that this guideline be
6 removed to the -- (unreportable cross-talk) --

7 CHAIRPERSON COHEN: Madam, your time -- your time
8 is up.

9 Thank you.

10 Operator, is there another speaker?

11 PHONE MODERATOR: There are no other speakers in
12 queue at this time.

13 Please continue.

14 CHAIRPERSON COHEN: All right. Thank you very
15 much.

16 So now we will continue to anyone that's in the
17 auditorium this afternoon that would like to
18 participate.

19 (No response.)

20 CHAIRPERSON COHEN: Okay. Seeing none,
21 Ms. Jones, I turn it back over to you.

22 MS. JONES: Thank you, Madam Chair.

23 I would like to thank all of those who were here
24 in person or called in and shared with us their
25 concerns. Their partnership helps us to identify areas

1 where FTB can improve the information and services
2 provided to California taxpayers and tax professionals.

3 I am grateful for the opportunity to serve and
4 work on behalf of California taxpayers.

5 Thank you.

6 CHAIRPERSON COHEN: All right. Well, thank you
7 very much, Ms. Jones. I appreciate it.

8 And to the members of the public that were all --
9 that called in, thank you.

10 This concludes the 2024 Annual Taxpayer's Bill of
11 Rights Hearing.

12 The next item we're going to hear is Item
13 Number 6, which is the Executive Officer's Time. And I
14 will turn it over to Ms. Selvi Stanislaus.

15 EXECUTIVE OFFICER STANISLAUS: Thank you,
16 Controller.

17 I have nothing to report at this time.

18 CHAIRPERSON COHEN: All right. Thank you very
19 much, Ms. Stanislaus.

20 Let's see if members have any questions for you?

21 (No response.)

22 MEMBER CHAMBERLAIN: All right. There it is.

23 Thank you.

24 Do we need to take Legal -- do we take public
25 comment?

1 CHAIRPERSON COHEN: Okay. If there's any member
2 of the public that would like to comment on the
3 Executive Officer's Time, please come forward.

4 (No response.)

5 CHAIRPERSON COHEN: All right. Let's check.
6 Operator, is there any public comment online?

7 PHONE MODERATOR: Thank you.

8 Members of the public, if you wish to place
9 yourself in queue for public comment, please press 1,
10 followed by 0, at this time. 1, 0, please.

11 No members of the public are queuing up at this
12 time.

13 Please continue.

14 CHAIRPERSON COHEN: All right. Thank you very
15 much.

16 All right. We're going to move on to Item 7.
17 Item 7 is Board Member Time, my second favorite time on
18 the agenda.

19 Our next item of business celebrates the amazing
20 achievements of one of our colleagues. The Board would
21 like to recognize Franchise Tax Board's Acting Audit
22 Division Chief, Monica Carvajal -- where are you,
23 Monica? It's good to see you -- today with the
24 retirement resolution celebrating 35 years at the
25 Franchise Tax Board.

1 That's incredible. We salute you.

2 We also would like to welcome your family that's
3 joining us here today. Would you like to invite them to
4 stand up so we can recognize them. Come on, family.
5 Stand up. Thank you.

6 (Applause.)

7 CHAIRPERSON COHEN: Let me introduce you to her
8 family. Monica is joined by her son, Garrett Embry, and
9 his wife Nai Embry, and their new baby Enzo, who is
10 resting comfortably.

11 Her youngest son, Carson. Where are you Carson?
12 There are you. It's good to see you. Thank you for
13 joining us.

14 And middle son, Cameron Trefz -- Is that how you
15 pronounce that? Close enough.

16 Okay. All right. Thank you, Carson and Cameron.
17 I appreciate seeing you.

18 And you have a fiancée named Toni Arriaga. Hi,
19 Toni. Thank you for joining us and making it a family
20 event.

21 Monica, I want to read to you a little bit into
22 the record what the resolution -- how it reads. Okay?

23 So Monica:

24 Whereas, Monica Carvajal, who began her Franchise
25 Tax Board career in 1989, the most recently -- and most

1 recently served the Department as the Acting Audit
2 Division Chief, is known for being a creative thinker, a
3 thoughtful role model, a constant learner, and someone
4 who is proud to have spent her career mentoring those
5 around her; and

6 Whereas, Ms. Carvajal chaired and participated in
7 numerous committees and leadership development programs,
8 including the Tax Gap Committee, the Compliance Action
9 Committee, the Joint Action Committee, the Management
10 Development Program, the Management Rotation Program,
11 the Enterprise Coaching and Mentoring Program. We
12 should have been more creative with these titles. Well,
13 wait. There's more. The Executive Assessment and
14 Development Program; and

15 Whereas, Ms. Carvajal made a lasting impression
16 on the people and programs she worked with. She
17 improved business processes, shared her business
18 knowledge, led teams in four of FTB's divisions, and
19 mentored those around her to achieve their career goals.
20 She could be counted on to move the collective vision
21 forward; and

22 Whereas, Ms. Carvajal demonstrated resilience in
23 her words and actions, because life isn't what happens
24 to you, it's how you react to it. And the attitude in
25 which you approach trials and tribulations is the key to

1 happiness and contentment when you look back on your
2 career; and

3 Whereas, Ms. Carvajal looks forwards to more
4 hiking, oil painting, and do-it-yourself projects in
5 retirement. She may also be found in the Camino de
6 Santiago in Spain -- or on the -- on the Camino de
7 Santiago in Spain; somewhere along Route 66; she may
8 even be building houses with one of her favorite
9 organizations, Habitat for Humanity; or you may find her
10 in one of the national parks enjoying time -- or
11 enjoying time with her sons and their families.

12 Now, therefore be it resolved, this is the tenth
13 day of December, 2024, by the Franchise Tax Board, we
14 recognize and thank Monica Carvajal on the day of her
15 retirement for her professional and her personal
16 dedication during 35 years to the State of California,
17 the Franchise Tax Board, and, most importantly, to the
18 People of California.

19 Congratulations. We wish you all the best as you
20 embark on the next chapter of your life.

21 Congratulations.

22 (Applause.)

23 CHAIRPERSON COHEN: Now at this moment, I would
24 like to give you an opportunity to share some of your
25 thoughts.

1 MS. CARVAJAL: Thank you very much, Madam Chair
2 and board members.

3 I would like to take a few minutes to express my
4 gratitude to the Franchise Tax Board for a career that
5 has allowed me to balance my -- to balance work with my
6 personal life. I grew up belonging to my local 4-H
7 Club. I had pledged my heart to greater loyalty and my
8 hands to larger service, to my community, and those
9 principles were an excellent foundation for working for
10 the State.

11 I am proud of being a civil servant. Working at
12 Franchise Tax Board has allowed me to build a career
13 around serving all Californians. This culture of civic
14 pride has created a community of people who are driven
15 to help others, even when their hard work is not seen or
16 recognized by the very public they serve.

17 I'm grateful today to get a chance to thank those
18 I have worked with over the years, past and present.
19 Your passion and commitment taught me the value of
20 enjoying the work you do and knowing your purpose.

21 Your selflessness helped teach me that we get
22 more when we give more. Each leader I have worked with
23 has given a piece of themselves to my development, and
24 for that, I am also grateful.

25 And I'm especially thankful for those of you who

1 indulged my need for creative outlets.

2 When I think of everyone I worked with over three
3 decades, I am most impacted by the relationships I have
4 built, the friendships, and the camaraderie. It's the
5 people that have made -- it's the people that have made
6 FTB a great place to work, and it is them that I would
7 like to thank for a very satisfying and enjoyable
8 career.

9 Thank you to my friends and family for coming
10 today and for being there for me throughout my career.

11 Thank you to my Audit Division team members,
12 Governance Council members, and my many colleagues
13 throughout the division -- the department. I am blessed
14 for knowing you.

15 Thank you.

16 CHAIRPERSON COHEN: All right. Thank you very
17 much, Monica.

18 (Applause.)

19 CHAIRPERSON COHEN: Will you please join me on
20 stage? I invite your family to join us also on stage so
21 that we may take a picture.

22 (Applause.)

23 CHAIRPERSON COHEN: And in this spirit of
24 Monica's remarks about service, I want to make a few
25 comments.

1 Today is December 10th, and it's also the
2 celebration of the 76th anniversary of the United
3 Nations' Universal Declaration of Human Rights, written
4 by a committee which was first led by Former First Lady
5 Eleanor Roosevelt. And it was 76 years ago the world
6 enshrined the universal rights of every person on earth:
7 Freedom of thought and religion, speech, peaceful
8 assembly, equal protection under the law, inalienable
9 dignity and liberty.

10 The Universal Declaration of Human Rights is, in
11 fact, a universal document. According to the Guinness
12 World Record, it is the most translated document in the
13 entire world; it is available in over 500 languages;
14 adopted by the UN in 1948. It transcends borders, race,
15 gender, or beliefs.

16 And that's no small feat when you think about it.

17 Because in 1948, there were numerous reasons to
18 be cynical, and some might say that there are many
19 reasons to be cynical today.

20 The Universal Declaration of Human Rights was
21 created in the aftermath of the devastating World War
22 II. The year in which it was adopted was a time of
23 profound oppression as well as discrimination.

24 The document opens by declaring, quote, "All
25 human beings are born free and equal in dignity and

1 rights," end quote.

2 It then lays out 30 things that every person
3 would have the right to in an ideal world. Now,
4 unfortunately, many of its aims remain unachieved. As
5 we speak, the human rights of the most vulnerable are
6 under attack. The fight for equal justice and dignity
7 continues for women and people of color, for immigrants,
8 for members of the LGBTQ+ community, for those with
9 disability, and for those people of all faiths,
10 including those facing Islamophobia and antisemitism.

11 With the 2024 Human Rights Day theme, quote, "Our
12 rights, our future, right now," end quote.

13 We commemorate the declaration's
14 76th anniversary, but I want to make sure that we're
15 taking a hard look at ourselves in the mirror: Honest
16 about our shortcomings, but hopeful for the future. And
17 let us rededicate ourselves to the actions that promote
18 and protect human rights to foster understanding and
19 sustainable peace. That is how we truly honor this
20 document. Not only today, but every day moving forward.

21 And I think this is a poignant thought to close
22 out this year on, as well as the last Franchise Tax
23 Board meeting of the year.

24 So thank you for giving me a moment to share with
25 you some of my thoughts.

1 I now open up the floor to my colleagues to share
2 any of their thoughts. Please. Member? No?

3 Go ahead.

4 MEMBER LIEBER: Thank you, Madam Chair.

5 I really appreciate those beneficial words for
6 all of us and -- and I think that the Universal
7 Declaration is more needed and more alive today than it
8 maybe has ever been, even in the challenging days
9 post-World War II.

10 And I just wanted to touch on the Taxpayer Rights
11 Hearing. I would really benefit from the response to
12 Mr. Goldberg, Lenny Goldberg, who asked some questions.
13 And I know that he's kind of a living legend within
14 California politics. And I would very much like to see
15 that response and be able to benefit from it.

16 And it didn't hurt all that he liked our hearing
17 earlier today. I was so honored that he would mention
18 that.

19 And I want to commend the Deputy Controller for
20 getting us through nine speakers in under two hours and
21 doing all the public comment that's associated with that
22 and et cetera. I think we had a very good hearing that
23 touched on some needed topics.

24 And I would like to schedule a follow-up hearing
25 prior to our March meeting so that we can delve a little

1 bit more into the topics that we just alluded to today.

2 But to really look at the disproportionality and
3 poverty in low incomes in California and in terms of
4 demographic factors, geographic factors in California,
5 which are very present, in terms of our rural areas.

6 And also workers in industries that are easily
7 identifiable as paying low wages and moving their costs
8 on to the public.

9 And then also to include workers with
10 disabilities and communities of color within the
11 workplace.

12 And so I think that would be the next step to
13 build on everything that we heard today. And we heard a
14 lot. There's a lot to digest and a lot that can be
15 translated into legislation. But I would like to
16 propose that we have an additional hearing before our
17 March meeting in the 10:00 a.m. to 12:00 p.m. time
18 frame.

19 CHAIRPERSON COHEN: All right. Thank you very
20 much.

21 We will work with the Executive Director to look
22 at the schedule --

23 MEMBER LIEBER: Thank you.

24 CHAIRPERSON COHEN: -- and find something that
25 benefits all of us.

1 Seeing that there are no more comments from the
2 members, I want to, before we move on to the next item,
3 open the floor up to any public comment. Perhaps
4 there's someone from the Audit Team that would like to
5 say something on behalf of Monica. I know there's an
6 auditor in here.

7 MEMBER LIEBER: One or two.

8 CHAIRPERSON COHEN: I know there's one or two in
9 here.

10 Is there any teammate that would like to say
11 something? Anyone that would like to say anything? You
12 just came here for the show?

13 (No response.)

14 CHAIRPERSON COHEN: Okay. Well, Monica, once
15 again, I will say thank you. I appreciate your service.
16 35 years is a long time and you honored that commitment.
17 And the State of California is in a better place because
18 of it. I'm grateful.

19 Thank you.

20 All right. We are going to -- well seeing that
21 there's no other business coming -- excuse me? I just
22 did public comment -- oh, online. Sorry.

23 Operator, is there any online public comment?

24 PHONE MODERATOR: Thank you.

25 Ladies and gentlemen on the phone lines, if you

1 would like to place yourself in queue for public
2 comment, as a reminder, you may press 1, followed by 0,
3 at this time.

4 (No response.)

5 PHONE MODERATOR: And no members of the public
6 are queuing up at this time.

7 Please continue.

8 CHAIRPERSON COHEN: All right. Thank you. So
9 seeing that there's no other business coming before this
10 Board, we will conclude the Franchise Tax Board meeting
11 for today.

12 Thank you, ladies and gentlemen, for coming and
13 participating. And we will see you next year.

14 (Proceedings concluded at 2:02 p.m.)

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CERTIFICATE OF REPORTER

I, KATHRYN S. SWANK, a Certified Shorthand Reporter of the State of California, do hereby certify:

That I am a disinterested person herein; that the foregoing proceedings were reported in shorthand by me, Kathryn S. Swank, a Certified Shorthand Reporter of the State of California, and thereafter transcribed into typewriting.

I further certify that I am not of counsel or attorney for any of the parties to said proceedings nor in any way interested in the outcome of said proceedings.

IN WITNESS WHEREOF, I have hereunto set my hand this 23rd day of December 2024.

/s/ Kathryn S. Swank
KATHRYN S. SWANK, CSR
Certified Shorthand Reporter
License No. 13061

