

Project Name: Financial Institution Record Match (FIRM)

OCIO Project #: 1730-999

Department: Franchise Tax Board (FTB)

Revision Date: 9/13/10

Concept Statement

Description

Brief description of the proposed project:

FTB will create a consolidated debtor file containing delinquent debtor IDs and acquire the services of vendor who will match this file against the data files of financial institutions doing business in California to identify assets available for involuntary collection action. FTB will transmit the debtor file to the vendor on a quarterly basis; the vendor will perform the data match with the financial institutions and send the matched files back to FTB on a daily basis. FIRM is patterned after the FTB's Financial Institution Data Match (FIDM), a project FTB implemented as a result of federal legislation to identify the assets of delinquent child support debtors.

Need Statement

High Level Capabilities Needed:

The Franchise Tax Board will match collection accounts quarterly with California-based financial institutions. Matched collection accounts will include debts from Personal Income Tax and Business Entities. This will provide FTB with timely and accurate bank account information from financial institutions. This includes non-interest bearing account information, accounts owned by business entity debtors, secondary account owners, and account owners with an out-of-state address.

What is Driving This Need?

The Tax Gap is driving this need. The FTB has an opportunity to maximize the potential general fund revenue available from the collection of delinquent obligations to the state. Budget trailer bill language for fiscal year 2010/11 will enact the statutory authority for FIRM.

Risk to the Organization if This Work is Not Done:

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If FIRM is not approved, the state will miss an opportunity to reduce the Statewide budget shortfall. The FTB would continue with the current OTW process, but would not maximize the potential general fund revenue available from the collection of delinquent obligations to the state. Legislation, if enacted, would require the FTB, in coordination with financial institutions doing business in this state, to operate a Financial Institution Record Match System.

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Benefit Statement

Intangible Benefits

Process Improvements (describe the nature of the process improvement):
1) Identifying delinquent taxpayer assets to satisfy tax obligation.

Other Intangible Benefits:
Promotes self-compliance by insuring that failure to pay taxes owed will result in an involuntary taking of funds deposited in financial institutions.

Tangible Benefits

Revenue Generation (describe how revenue will be generated):
FIRM will increase revenue by \$89 million over the first 3 years. The FTB would use the data matched with financial institution records to aid in the collection of debts under the authority of the existing Order to Withhold (OTW) statutes. The FTB estimates the annual General Fund revenue gain at \$16 million in 2010-11, growing to \$41 million by 2012-13.

Cost Savings (describe how cost will be reduced):
NA

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Cost Avoidance (describe the cost and how avoided):

NA

Risk Avoidance (describe the risk and how avoided):

NA

Improved Services:

NA

Consistency

"No" Responses 		Rationale	Action Required
Enterprise Architecture	Yes		
Business Plan	Yes		
Strategic Plan	Yes		

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Impact to Other Agencies

Nature of Impact to Other Agencies

Agency:
<i>Describe the nature of the impact:</i>

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Solution Alternatives

Alternative 1:

Create a file of all delinquent debtors and contract with a third-party vendor who will transmit the debtor file to the the financial institutions and send the matched file back to FTB on a quarterly basis. Either the financial institutions or the vendor will perform the data match. Modify existing system to accommodate and process new asset and address information. Establish electronic communications with the financial institutions to allow FTB to submit account levies electronically.

Technical Considerations for Alternative 1:

The project will require modification to the interfaces between the payer processes, the collection systems (ARCS, VRC, and COD), the accounting systems (TI and BETS) and/or BIDS. BIDS will receive extracts from each of these systems and develop processes to create a consolidated debtor file, as well as create a system update record that can be used to update the Payer File and FTB Systems with matches. BIDS will also develop processes to update TI and BETS with address information for debtor accounts with bad addresses.

ROM Cost: \$8,000,000 to \$14,000,000

Note: high end of range must not exceed 200% of low end of range

Alternative 2:

With this alternative, FTB would create a consolidated debtor file that would be matched against financial institution accounts on a quarterly basis. However, instead of contracting with a vendor to match the quarterly combined debtor file, either FTB staff or the financial institutions will perform the match. FTB would employ four new positions to support the customer service and data exchange including the set up of accounts and the follow up for timely data.

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Technical Considerations for Alternative 2:	
ROM Cost: \$4,000,000 to \$12,000,000	Note: high end of range must not exceed 200% of low end of range

Alternative 3:

Create a consolidated file containing delinquent debtor IDs and match against the records of financial institutions doing business in California. Contract with a vendor to transmit the file to financial institutions on a quarterly basis. On a daily basis, the financial institution, or vendor, will perform the data match, and the vendor will send the matched files back to FTB. FTB will use the matched data in a semi-automated levy effort, whereby collection staff will manually add the raw data from the match effort to ARCS, which will then generate the OTW.

Technical Considerations for Alternative 3:	
The project will require modification to the interfaces between the payer processes, the accounting systems (TI and BETS) and/or BIDS. BIDS will receive extracts from each of these systems and develop processes to create a consolidated debtor file.	
ROM Cost: \$1,000,000 to \$2,000,000	Note: high end of range must not exceed 200% of low end of range

Recommendation

Comparison:

Alternative 1	ROM Cost	Risk

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	\$8,000,000	-	\$14,000,000	
Alternative 2	ROM Cost			Risk
	\$4,000,000	-	\$12,000,000	
Alternative 3	ROM Cost			Risk
	\$1,000,000	-	\$2,000,000	

Conclusions:

1	See Recommendation below
2	
3	
4	

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Recommendation:

Recommend implementing alternative 3. Alternative 3 has the lowest cost. It does not require the 4 new FTB positions required by alternative 2, and it requires lower software costs in comparison with alternative 2. Alternative 3 requires significantly less development staff than alternative 1--approximately 6.5 PYs required for alternative 3 development vs. approximately 33.5 PYs required for alternative 1. FTB can select from a pool of established contractors that have substantial experience in data matching of the type required by this project.

Concept Approach *(if known)*

System Complexity:		System Business Hours: <i>(e.g., 24x7, 9am-5pm)</i> :		
Architecture	<input checked="" type="checkbox"/> Mainframe	<input checked="" type="checkbox"/> Client Server	<input type="checkbox"/> Web Based	Num. of New Databases:
Technology	<input type="checkbox"/> New	<input type="checkbox"/> New to Staff	<input checked="" type="checkbox"/> In-House Experience	Interfaces:
Implementation	<input checked="" type="checkbox"/> Central Site	<input type="checkbox"/> Phased Roll-out		Num. of Sites:
M & O Support	<input type="checkbox"/> Contractor	<input type="checkbox"/> Data Center	<input checked="" type="checkbox"/> Project	<input type="checkbox"/> Returned to Sponsor
Procurement Approach: <i>(consult with OSI Procurement Center)</i> FIRM will engage in a number of procurements for hardware, software, and consultant services. The procurement vehicles include RFQs, SLPs, and CMAS/MAS				Number of Procurements:
Open Procurement?		Delegated Procurement?		
Scope of Contract	<input checked="" type="checkbox"/> Development	<input checked="" type="checkbox"/> Implementation	<input type="checkbox"/> M & O	<input type="checkbox"/> Other:

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Anticipated Length of Contract: _____ Years / _____ extensions for _____ years