

Feasibility Study Report

**AB1717 - Mobile Telephony Services
Surcharge (MTS) Project**



State Board of Equalization

Project Number – 0860-097

Original Submission: December 12, 2014

Revised Submission: March 25, 2015

Prepared by:

MTS Project Team

**California State Board of Equalization
Sacramento, California**

Prepared for:

**California Department of Technology
Sacramento, California**

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SIMM Section 20A



**Feasibility Study Report
Executive Approval Transmittal**

State Entity Name

Board Of Equalization

Project Title (maximum of 75 characters)

Mobile Telephony Services Surcharge

Department of Technology Project Number

0860-097

Project Acronym

MTS

State Entity Priority

Agency Priority

I am submitting the attached Feasibility Study Report (FSR) in support of our request for the California Department of Technology's approval to undertake this project.

I certify this FSR was prepared in accordance with State Administrative Manual Sections 4920-4930.1 and the proposed project is consistent with our information technology strategy as expressed in our current Agency Information Management Strategy.

I have reviewed and agree with the information in the attached FSR.

I certify the acquisition of the applicable information technology (IT) product(s) or service(s) required by my Agency/state entity that are subject to Government Code 11135 applying Section 508 of the Rehabilitation Act of 1973 as amended meets the requirements or qualifies for one or more exceptions (see following pages).

APPROVAL SIGNATURES

Information Security Officer

Date Signed

Kenneth Thompson

29 April 2015

Printed name: Kenneth Thompson

Enterprise Architect

Date Signed

E Cueva

4/29/15

Printed name: Elizabeth Cueva

Chief Information Officer

Date Signed

Brenda Fleming

4/29/2015

Printed name: Brenda Fleming

Budget Officer

Date Signed

Jill O'Connell

4/29/2015

Printed name: Jill O'Connell

State Entity Director

Date Signed

Cynthia Bridges

4/29/15

Printed name: Cynthia Bridges

Date Signed

Printed name:

Date Signed

Printed name:

Feasibility Study Report Executive Approval Transmittal

1.1 IT Accessibility Certification

Yes or No

Yes	The Proposed Project Meets Government Code 11135 / Section 508 Requirements and no exceptions apply.
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Exceptions Not Requiring Alternative Means of Access

Yes or No	Accessibility Exception Justification
N/A	The Proposed IT project meets the definition of a national security system.
N/A	The Proposed IT project will be located in spaces frequented only by service personnel for maintenance, repair, or occasional monitoring of equipment (i.e., "Back Office Exception.")
N/A	The Proposed IT acquisition is acquired by a contractor incidental to a contract.

Exceptions Requiring Alternative Means of Access for Persons with Disabilities

Yes or No	Accessibility Exception Justification
N/A	<p>Meeting the accessibility requirements would constitute an "undue burden" (i.e., a significant difficulty or expense considering all Agency/state entity resources). Explain:</p> <p>Describe the alternative means of access that will be provided that will allow individuals with disabilities to obtain the information or access the technology.</p>
N/A	<p>No commercial solution is available to meet the requirements for the IT project that provides for accessibility. Explain:</p> <p>Describe the alternative means of access that will be provided that will allow individuals with disabilities to obtain the information or access the technology.</p>

2.0 INFORMATION TECHNOLOGY PROJECT SUMMARY PACKAGE

2.1 Section A: Executive Summary

1.	Submittal Date	December 12, 2014
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2.	Type of Document	FSR	SPR	PSP Only	Other:
	Project Number	X			

3.	Project Title	Mobile Telephony Services Surcharge	Estimated Project Dates	
	Project Acronym	MTS	Start	End
			7/1/2015	6/30/2016

4.	Submitting Department	Board of Equalization
5.	Reporting Agency	N/A

6.	Project Objectives
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The goal of Assembly Bill (AB) 1717 is to create a fair and uniform way to collect state and local communications taxes and fees from prepaid mobile telephony consumers. In the past, postpaid (contract) telephony plans were the most common, but prepaid plans have increased significantly in recent years and continue to grow in popularity.

Prepaid telephony plans require the consumer to pay in advance of services which makes it more difficult to determine the taxes and fees due for actual consumer usage. This bill is an attempt to reconcile these problems and differences. The Sales and Use Tax Department of the Board of Equalization (BOE) will be responsible for administering the new surcharge. This project will allow the BOE to meet the expectation of all of its customers into future years.

The project objectives are as follows:

- Register all Retail Sellers and Direct Sellers of prepaid MTS.
- Create the new or revised sales and use tax return required to file beginning with the first quarter 2016.
- Establish the 911 fund accounting necessary to determine if the AB 1717 requirement of \$9.9 million annually for prepaid MTS 911 surcharge has been met and bill all California telephone utility companies (Direct Sellers) their pro rata share of any shortfall in the prepaid MTS 911 Account for a state fiscal year.
- Collect all prepaid MTS CPUC surcharges from Direct Sellers and deposit the CPUC surcharges in the Prepaid MTS PUC Account set up by the State Treasury starting in the first quarter 2016.
- Collect prepaid MTS local UUT from Retail Sellers and deposit the local UUT surcharges into the Local Charges for Prepaid Mobile Telephony Services Fund for allocation to the various local jurisdictions throughout California starting in the first quarter 2016.
- Collect prepaid MTS 911 surcharge from Direct and Retail Sellers starting in the first quarter 2016 and deposit Retail Sellers payments into the Prepaid MTS 911 Account set up by the State Treasury.

7.	Proposed Solution
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The BOE proposes modifying existing online services and its legacy mainframe Integrated Revenue Information System (IRIS) and its subsystems to allow Indirect Sellers (prepaid wireless retailers) and Direct Sellers (wireless telephone utility service providers) of prepaid mobile telephony services to register, file returns, and pay tax with the BOE in accordance with the requirements in AB 1717 (Chapter 885, Statutes 2014). The proposed solution will require the analysis of five million lines of code and result in approximately 200 thousand additional lines of code.

8. Major Milestones	Est. Complete Date
Obtain approval of FSR	4/1/2015
Project Initiation	7/1/2015
Define Requirements	8/1/2015
System Design	8/31/2015
Procurement – Contracted Resources	8/1/2015
Phase 1 - Registration	2/1/2015
Phase 2 – Return Processing (Billing, Payments, Refunds)	6/1/2016
Phase 3 – Reporting	9/30/2016
Implementation	6/1/2016
Project completion	11/30/2016
Key Deliverables	
Project Charter	8/1/2015
Project Management Plan	8/1/2015
Project Master Schedule	8/1/2015
Risk Management Plan	9/1/2015
Communications Management Plan	9/1/2015
Requirements	8/15/2015
Requirements Traceability Matrix	9/1/2015
Requirements Repository	10/1/2015
System Design Documents	8/31/2015
Technology Architecture Plan	9/1/2015
Testing Plan	11/1/2015
Training Plan	11/1/2015
Testing Scripts	11/1/2015
Testing Issues Log	9/30/2015
Maintenance & Operations Transition Plan	6/1/2016
Project Closure Report	11/15/2016
Lesson Learned Report	11/15/2016
Post Implementation Evaluation Report	6/30/2018

2.2 Section B: Project Contacts

Project #	0860-097
Doc. Type	FSR

Executive Contacts								
	First Name	Last Name	Area Code	Phone #	Ext.	Area Code	Fax #	E-mail
Agency Secretary								
State Entity Director	Cynthia	Bridges	916	327-4975		916	324-2586	Cynthia.Bridges@boe.ca.gov
Budget Officer	Larry	Norris	916	323-5128		916	323-9634	Larry.Norris@boe.ca.gov
Information Security Officer	Kenneth	Thompson	916	324-2313			N/A	Kenneth.Thompson@boe.ca.gov
Enterprise Architect	Elizabeth	Cueva	916	445-4430		916	327-3484	Elizabeth.Cueva@boe.ca.gov
Chief Information Officer	Brenda	Fleming	916	445-8677		916	327-3483	Brenda.Fleming@boe.ca.gov
Project Sponsor	David	Gau	916	323-9070		916	323-9055	David.Gau@boe.ca.gov

Direct Contacts								
	First Name	Last Name	Area Code	Phone #	Ext.	Area Code	Fax #	E-mail
Doc. prepared by	Stephanie	Allen	916	323-4875		916	327-3483	Stephanie.Allen@boe.ca.gov
Primary Contact	Brenda	Fleming	916	445-8677		916	327-3483	Brenda.Fleming@boe.ca.gov
Contract Manager	Veronica	Dodd	916	322-0665		916	327-3483	Veronica.Dodd@boe.ca.gov
Project Manager	Stephanie	Allen	916	323-4875		916	327-3483	Stephanie.Allen@boe.ca.gov

2.3 Section C: Project Relevance to State and/or Department Agency Plans

1.	What is the date of your current Technology Recovery Plan (TRP)?	Date	4/15/2014
2.	What is the date of your current Agency Information Management Strategy (AIMS)?	Date	4/2009
3.	For the proposed project, provide the page reference in your current AIMS and/or strategic business plan.	Doc.	2020 Plan
		Page #	18

Project #	0860-097
Doc. Type	FSR

		Yes	No
4.	Is the project reportable to control agencies?	✓	
	If YES, CHECK all that apply:		
✓	a) The project involves a budget action.		
✓	b) A new system development or acquisition that is specifically required by legislative mandate or is subject to special legislative review as specified in budget control language or other legislation.		
✓	c) The estimated total development and acquisition cost exceeds the Department of Technology's established Agency/state entity delegated cost threshold and the project does not meet the criteria of a desktop and mobile computing commodity expenditure (see SAM 4989 – 4989.3).		
	d) The project meets a condition previously imposed by the Department of Technology.		

2.4 Section D: Budget Information

Project #	0860-097
Doc. Type	FSR

Budget Augmentation Required?								
	No							
	Yes	✓	If YES, indicate fiscal year(s) and associated amount:					
			FY	2014/15	FY	2015/16	FY	2016/17
				\$		\$2,934,000		\$395,000

PROJECT COSTS

1.	Fiscal Year	2014/15	2015/16	2016/17	TOTAL
2.	One-Time Cost	\$0	\$3,889,389	\$0	\$3,889,389
3.	Continuing Costs	\$0	\$123,385	\$394,661	\$518,046
4.	TOTAL PROJECT BUDGET	\$0	\$4,012,774	\$394,661	\$4,407,435

PROJECT FINANCIAL BENEFITS

5.	Cost Savings/Avoidances	\$0	\$0	\$0	\$
6.	Revenue Increase	\$0	\$20,479,000	\$40,958,000	\$61,437,000

2.5 Section E: Vendor Project Budget

Vendor Cost for FSR Development (if applicable)	\$
Vendor Name	

Project #	0860-097
Doc. Type	FSR

VENDOR PROJECT BUDGET

1.	Fiscal Year	2014/15	2015/16				TOTAL
2.	Primary Vendor Budget						\$
3.	Independent Oversight Budget	\$	\$113,000				\$113,000
4.	IV&V Budget	\$	\$80,000				\$80,000
5.	Other Budget – Contractors	\$	\$1,620,000				\$1,620,000
6.	TOTAL VENDOR BUDGET	\$	\$1,813,000	\$	\$	\$	\$1,813,000

2.6 Section F: Risk Assessment Information

Project #	0860-097
Doc. Type	FSR

	Yes	No
Has a Risk Management Plan been developed for this project?	√	

General Comment(s)
<p>The Project's risk management plan will document the processes and procedures used to identify risks associated with the Mobile Telephony Surcharges and how they will be managed. The Project will follow the risk management processes identified by the Department's IT Project Management Office and the State Information Management Manual (SIMM). The Project Manager will oversee the risk management and mitigation plans to ensure that the risk owners effectively and timely address the risks. The Project will use a risk management approach that recognizes that risk response planning must be appropriate to the severity of the risk and cost effective in meeting the challenge. The plan must also be timely to be successful, realistic within the project context, agreed upon by all parties involved, and owned by a responsible person. These considerations go in to choosing the response when project risks are defined. The project team evaluates risk responses in the following order, beginning with those that have the highest likelihood of effectiveness: (1) Avoidance, (2) Acceptance (3) Mitigation (4) Sharing/Transfer. Mitigation efforts will be documented to ensure:</p> <ul style="list-style-type: none"> • Risks are defined and properly scoped and the correct participants are involved in the risk analysis and mitigation process. • Root causes are analyzed and recommendations are based on sound judgment. • Specific persons are named to complete action items. • Actions are tracked to resolution/completion and escalation to a higher level of management is available and is pursued when mitigation or intervention cannot be achieved at the project level. • Risks and associated actions and their status are formally documented and regularly reviewed. • Communication among project stakeholders is appropriate and timely in order to facilitate an understanding of risk impact, develop quality responses, and minimize the associated disruption. <p>The risk management plan and risk register will be updated and completed throughout the lifecycle of the project. The completed Risk Register can be found in Section 7 of this Feasibility Study Report (FSR).</p>

3.0 BUSINESS CASE

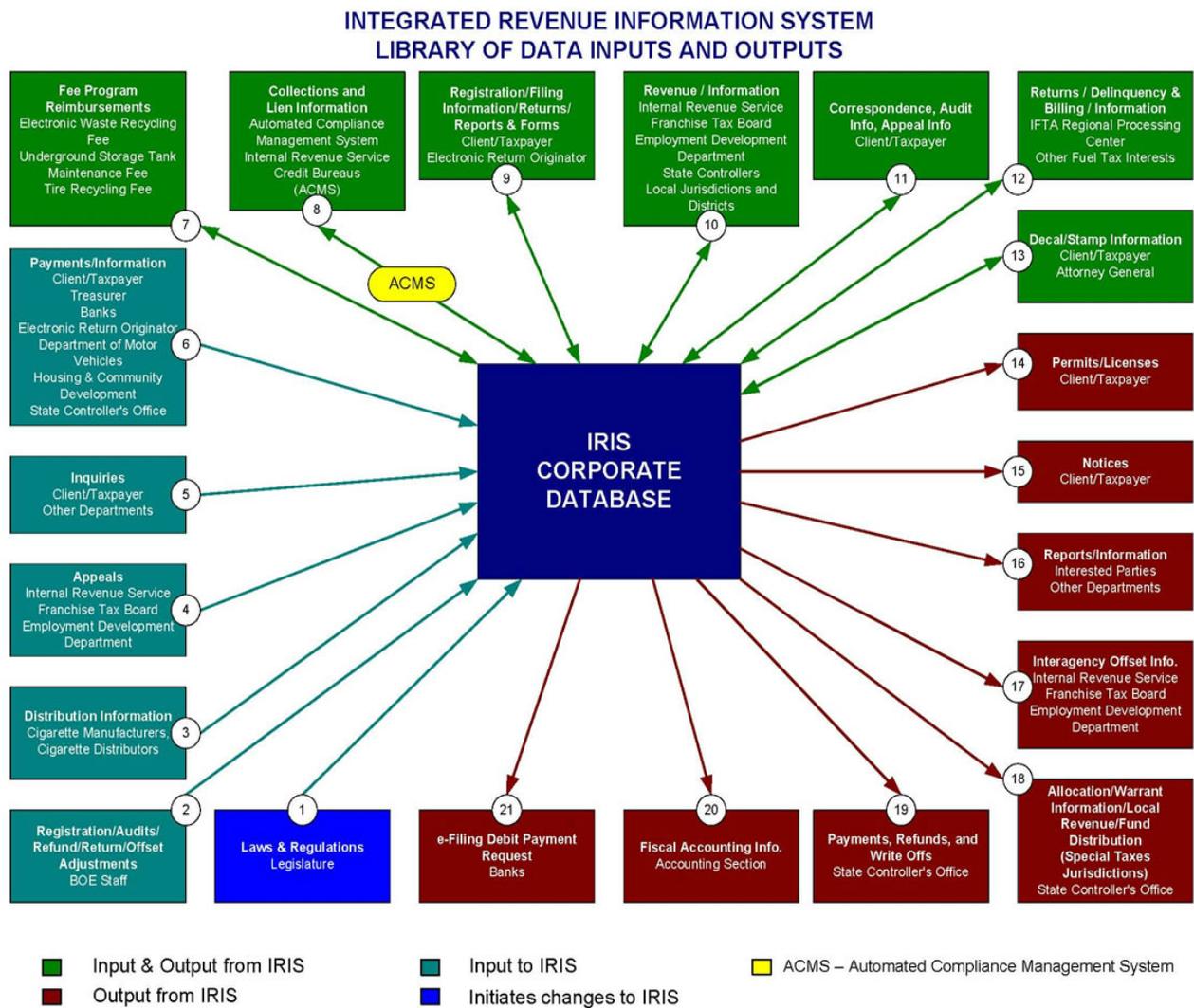
See Appendix A for the Stage 1 Business Analysis.

4.0 BASELINE ANALYSIS

4.1 Current Method

The mainframe Integrated Revenue Information System (IRIS) is an account-based system that stores and manages registration, revenue source, and filing information. The following describes the process workflow and each of the functions currently in place to support the taxpayer's and BOE's obligations in regards to the registration, filing, collection and management of revenue.

Figure 4-1 – IRIS Inputs & Outputs



4.1.1 Registration Process

The BOE uses an online, web-based system to register all programs permits and licenses. The business or individual subject to tax or fee registers as a Client who does business with the BOE. The Client is issued a Taxpayer Identification Number (TIN). Through an interactive series of vetting questions, the taxpayer is registered for one or more tax programs. Each tax program can have its own specific registration requirements. The taxpayer is issued a unique tax program account number. The financial obligation and filing requirements are established by the registration system for each tax program. BOE currently registers approximately 200,000 new tax payers a year.

4.1.2 Return Processing

In order to report transactions and calculate taxes/fees owed tax/fee payers are required to file a tax return. The BOE sales and use tax department uses a web-based system for tax and fee payers to file a return. The tax program and filing frequency for the return are established at registration. BOE currently processes approximately 2.5 million returns a year.

Online identification confirmation is the first step in the electronic return process. The tax/fee payer enters information that is validated and stored directly in the BOE database for normal processing. Data is automatically calculated or derived from the customer provided information, and then a confirmation number is transmitted in real time to the tax/fee payer, within their current Internet browser session.

In addition to entering return information, the tax/fee payer enters banking information for the direct debit payment of taxes/fees owed. The information is then securely housed and transmitted in real time directly to the BOE with a copy of the data stored in an XML document.

4.1.3 Refunds

When tax/fee payers believe they have an overpayment of amounts due they are permitted to file a claim for refund. For refunds the tax, interest, and penalty must be allotted to the program/fund to ensure amounts refunded come from where the money was deposited. An IRIS subsystem creates an online refund structure that will send a notice of refund to the tax/fee payer. The actual refund warrant is issued by the Office of the State Controller. A credit "revenue to payment" difference must exist before a refund can be initiated.

4.1.4 Distribution of Revenue

As revenue payments come in to the BOE these payments are applied to the appropriate tax program and the appropriate fiscal fund(s) for that specific tax program. The IRIS Revenue subsystem manages BOE revenue streams. IRIS is used to distribute payments (adjustments and refunds too) based on statistical factors and historical return data. Reconciliation is performed in IRIS after the complete return data is available for a given period. The BOE is required to periodically allocate local sales tax funds collected on behalf of cities and counties. This fund distribution and allocation is done through IRIS.

4.1.5 Reporting

The BOE reports the annual revenues collected for the Emergency Telephone Users Surcharge (ETUS) program to the Department of Finance. The BOE also includes this information in our annual report.

Source information for reports on sales taxes and special taxes comes from IRIS subsystems that

support those business areas. Management information reports and formal reports to outside agencies and the legislature are all produced from the IRIS sources. The BOE also uses tax program information from IRIS to produce the annual report available to the public.

4.1.6 Data Input

Online web-based services are externally facing for registration, filing returns, and paying taxes and fees. Paper checks, registration and return filing by mail are input by staff internally through the application layer. Web services and the application layer interface with IRIS subsystems to store taxpayer information. Data validation occurs online when the taxpayer is required to enter data. When taxpayer information is entered manually it is subject to the data validation rules.

4.2 Technical Environment

The BOE uses online web-based systems, legacy mainframe systems and client server systems to support the financial obligation and filing requirements for our California tax payers. This section provides a description of the technical environment in which the proposed solution will operate.

Expected Operational Life of Proposed Solution

The legislation (AB1717) includes a sunset date of January 1, 2020. These changes will remain in effect until the sunset date. The solution will have to be flexible enough to accommodate unforeseen future changes, including changes in organizational structure, the addition of new tax/fee programs and/or changes in the technology environment. BOE must ensure that the system changes are scalable.

External System(s) Interface(s)

The following existing external interfaces must continue to be available during the implementation to allow for continuity of business.

- The “public-facing” web interfaces enable tax payers to register with the BOE, file returns, and submit payments.
- The BOE has interfaces with the State Treasurer’s Office (STO) and with several banks that support payment and deposit functions.
- Payments and refunds are scheduled by the BOE and transmitted to the State Controller’s Office (SCO).
- The BOE collects a variety of program-related taxes and surcharges on behalf of various state agencies, cities and counties and distributes these funds through scheduled transactions by the SCO.
- Additionally, the BOE shares data with several agencies and departments among them Franchise Tax Board (FTB), the Secretary of State (SOS), the Employment Development Department (EDD), and the Department of Motor Vehicles (DMV) in support of analytics to manage delinquencies, liens, and identity.

Furthermore, data within the system must continue to be available for existing data marts utilized in key BOE program processes and management reporting, with end user capabilities for extracting data as needed.

Financial Constraints

The BOE does not have funding authorized in its current budget to implement the requirements of

AB1717. A budget action is therefore necessary to appropriate additional funding to support this project development and MTS administration.

Legal & public policy constraints

IT systems must be implemented in adherence with applicable internal and external security, confidentiality, privacy policies, and laws. The proposed solution must meet statutory and regulatory requirements and must be flexible enough to introduce new tax law legislation.

BOE policies and procedures related to information management

The BOE has established Enterprise Architecture (EA) methodology which defines the technologies necessary to support program operations, and transitional processes necessary for implementing new technologies in response to changing program needs. The business foundation and technical architecture of the EA at BOE establish the principles that represent specific guidance for each of five technical domains represented in the BOE's Technical Reference Model (TRM). The technical domains include Data, Applications, Infrastructure, Integrity and Governance.

Availability of IT Personnel

BOE program and IT staff will be available as subject matter experts (SMEs). The appropriate staff will be assigned to the project roles identified in Section 6.1 Project Organization.

4.2.1 Existing Infrastructure

This section briefly describes the BOE's existing infrastructure and technical architecture to provide a context for the proposed solution. The following infrastructure will be impacted by the solution along with the existing multi-tier application environment and associated interfaces with outside agencies.

Technical Architecture

- Mainframe - The BOE utilizes a z/OS mainframe located at the Office of Technology Services (OTech) data center. The primary system is IRIS which currently contains Sales and Use tax and Special Taxes account information. IRIS was developed using Object Oriented principles and concepts, utilizing the NATURAL programming language and storing information within an ADABAS Database Management System. Generally, screen interface logic is separate from data access logic. Business rule logic and processing is done using common and reusable components.
- Mid-Tier - ACMS is a midrange computer system that is utilized by the BOE Collection's staff to process collection actions (liens, levies, and earnings withholding orders). ACMS also includes limited electronic interfaces with IRIS, DMV, FTB, EDD and SOS, to generate account specific collection information. ACMS is a three tiered client server application consisting of mainframe, desktop, and UNIX platform components.
- The desktop components of ACMS utilize Sybase PowerBuilder, a graphical user interface tool using Object Oriented principles.
- The UNIX components of ACMS utilize Micro-Focus COBOL and Sun Microsystem's C programming languages. Generally, screen interface logic is separate from data access logic. Business rule logic and processing is done using common and reusable components.

- The web interface with IRIS resides on multiple web and application servers at the OTech data center. The web servers are accessed by tax and fee payers via the Internet. The production application servers reside behind the data center firewall, which can only be accessed by the production web servers. The application server then accesses IRIS through a secured interface. The online services environment was developed using Object Oriented principles and concepts, utilizing the Java programming language. Tax/fee payer entered data is stored on the mainframe. Screen interface logic is separate from data access. Business rule logic and processing is done using common and reusable components. Generally, all business rules are retrieved from IRIS.

The test web and application servers also reside at the data center and interface with the IRIS test environment. The BOE uses these servers as an environment for training and testing. While the test servers reside at the data center, the development servers which access IRIS, reside internally at BOE, and can only be accessed by the BOE staff.

For security reasons, all web pages in this element of the interface design are deployed to the BOE secured website. This enables all interactions to be encrypted and have secure login capabilities. Mid-tier security is periodically validated and tested by security consultants.

Personal Productivity Software

The BOE standard productivity software is MS Office Professional Plus 2010.

Operating System Software

The BOE standard mainframe operating system is z/OS, developed by IBM. Standard server operating systems are Solaris, and Windows. Windows is the BOE standard operating system for desktops, notebooks and laptops, the current version running Windows 7, 64 bit.

Desktop Workstations

Listed below are the minimum hardware configurations for a standard desktop computer at the BOE.

Table 4-1-Desktop Workstation Configurations

Component	Specification
Base Unit:	Dell OptiPlex Ultra Small Form Factor, Core 2 Duo E6400/ 2.13GHz, 2M, 1066FSB (222-5922)
Processor:	NTFS File System, Factory Install (420-3699)
Memory:	2.0GB, Non-ECC, 667MHz DDR 2x1GB, OptiPlex 745 (311-5042)
Keyboard:	Dell USB Keyboard, No Hot Keys English, Black, OptiPlex (310-8010)
Monitor:	Dell Ultra Sharp 1907FPV Flat Panel with Height Adjustable Stand, 19.0 Inch, VIS, OptiPlex, Precision and Latitude (320-4976)
Video Card:	Integrated Video, GMA3000, Dell OptiPlex 745 (320-5169)
Hard Drive:	80GB SATA 3.0Gb/s and 8MB Data Burst Cache, Dell OptiPlex 320 and 745 (341-4214)

TBU:	RoHS Compliant Lead Free Chassis and Motherboard, Dell OptiPlex (464-1131)
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Notebook Workstations

Listed below are the minimum hardware configurations for a standard notebook computer at the BOE.

Table 4-2 – Notebook Workstation Configurations

Component	Specification
Base Unit:	Dell Latitude E6410 [224-7936]
Processor:	Intel Core i5-520M (2.4GHz, 3M cache) with Turbo Boost Technology
Memory:	3GB DDR3-1333MHz SDRAM, 2 DIMMS [317-3589]
Keyboard:	Internal English Keyboard [330-0836][330-1652]
LCD:	14.1" WXGA (1280x800) Anti-Glare LED [320-8792]
Graphics and Expansion Slot:	512MB NVIDIA NVS 3100M discrete graphics with PC Card [320-8794]
Hard Drive:	160GB 5400rpm Hard Drive, No RAID [342-0477]
Removable Media:	8X DVD+/-RW [313-6513]
Energy Efficient:	Energy Star/EPEAT Gold [468-6005]

Workstation Software

Listed below are the standard software configurations for a standard workstation at the BOE.

Table 4-3 – Workstation Software Standards

Function	Software
Operating System:	Windows 7, 64 bit
Word Processing:	MS Office Professional Plus 2010
Electronic Mail:	Outlook 2010 (including MS Office)
Flowcharting/Diagramming:	Visio Professional 2010
Project Tracking:	MS Project Professional and Standard 2010

LAN Servers

The BOE currently maintains most of the servers at headquarters, but every district office has a server for software and patch distribution as well as storage for Home/Group drives.

The main application servers are housed at the BOE Headquarters - 450 N. Street, Sacramento: Exchange, SQL, Web Servers and all other Application Servers.

The BOE has standardized on HP ProLiant Servers.

Table 4-4 – LAN Server Software

Function	Software
Operating System:	Sun Solaris 8
Application Development:	COBOL, C, C++, UNIX Script
Database:	Sybase 12.5.2
Middleware:	IBM TX Series (CICS), X-Direct
Protocol:	TCP/IP
Reporting Tool:	Sybase Infomaker
Security:	RACF, Dual Firewalls, UNIX Security, Sybase Security , Logins

Network Protocols

The BOE’s TSD serves over 5,000 staff in the Sacramento headquarters, annex locations and in district offices located throughout the state of California and in New York, Chicago and Houston.

The BOE district offices are connected to headquarters via a mix of point to point and AVPN circuits ranging from a single T1 up to a 100 MB Ethernet WAN service.

The BOE offices located at 450 N Street, Sacramento and 621 Capitol Mall, Sacramento are connected via 50-100 MB Opteman

The BOE is connected to OTech Data Center via dual 100 MB CGEN circuits for redundancy.

The BOE Internet connection is via a 250 MB ASE circuit.

There are multiple protocols in use at the BOE due to the complexity of systems and there is a need for a common language to communicate between systems. The following is the list of protocols in use at the BOE:

- Routed Protocols – TCP/IP and all traffic between offices is encrypted via VPN tunnels
- Email communication – Simple Mail Transport Protocol (SMTP)
- eCommerce transport and communication – Hypertext Transfer Protocol (HTTP), Hypertext Transfer Markup Language (HTML), and Extensible Markup Language (XML)

Mainframes

Mainframe computers are used at the BOE for enterprise-critical, high-availability processing, and require facilities support currently provided by OTech Data Center. The BOE standards are aligned with OTech Data Center standards.

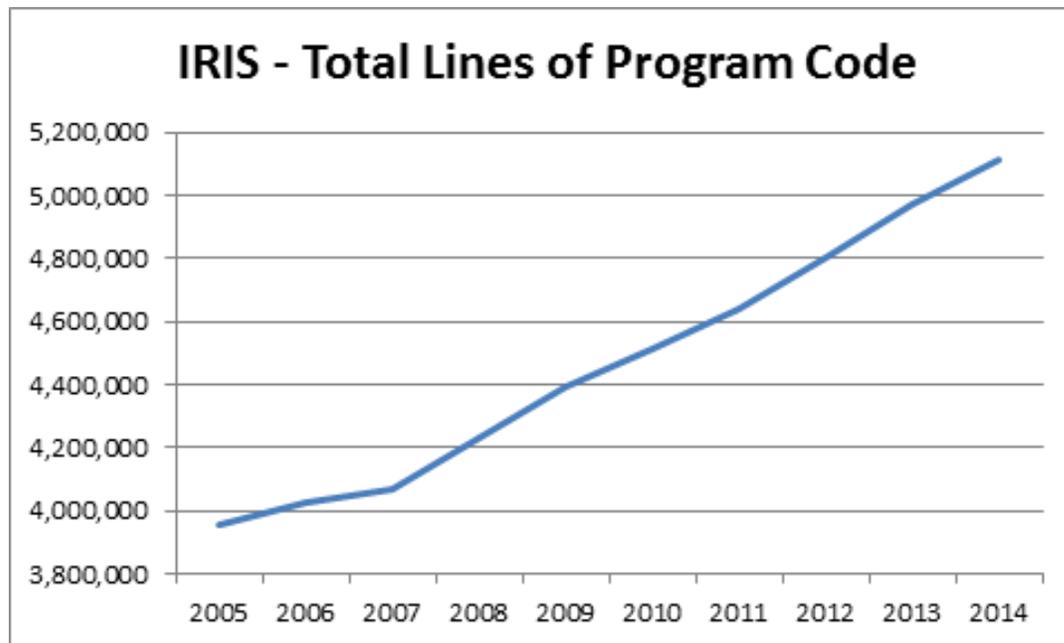
Table 4-5 – Mainframe Standards

Function	Software
Operating System:	Z/OS 1.7 IBM
Application Development:	NATURAL, COBOL
Database:	ADABAS
Middleware:	EntireX/XML RPC Server
Protocol:	TCP/IP, TN 3270, SVC
Security:	RACF, NATURAL Security, Customer Security Application

Application Development Software

The existing software platform contains approximately 5.1 million lines of programming code. The number of lines of code continues to increase at an average rate of 3% each year due to additional business rules and legislative mandates as illustrated in figure 4-2 below. This increases complexity and maintenance workload.

Figure 4-2 – Lines of Code by Year



Database Management Software (DBMS)

The BOE is currently using MS SQL Server and Sybase ASE in the mid-tier server environment. The BOE is currently using NATURAL/ADABAS on the mainframe environment.

Application Development Methodology

The BOE application programmers currently follow a System Development Life Cycle similar to the traditional waterfall style of application development ; Analysis, Design, Develop, Test, Implement and Maintain.

Project Management Methodology

The BOE Project Management Methodology was developed by leveraging global best practices and is aligned with the California Project Management Methodology (SIMM section 17). The Project Management Team will ensure that the proposed solution addresses the activities recommended in the SIMM.

5.0 PROPOSED SOLUTION

The BOE proposes leveraging existing online services and IRIS, to allow Retail Sellers (prepaid wireless retailers) and Direct Sellers (wireless telephone utility service providers) of prepaid MTS to register, file returns, and submit payments to the BOE. The legislation requires the proposed solution to include the following capabilities:

- Register indirect sellers using BOE's existing registration process (online services).
- File returns electronically using online services.
- Account for the Emergency Telephone Users Surcharge (ETUS) collected in order to adequately fund the statewide 911 telephone system.
- Collect prepaid MTS California Public Utilities Commission (CPUC) surcharges from indirect sellers on behalf of the CPUC.
- Collect prepaid MTS local user utility tax (UUT) from indirect sellers on behalf of California cities and counties.
- Collect prepaid MTS 911 surcharge from direct and indirect sellers on behalf of the Office of Emergency Services (OES).
- Establish payment methods for prepaid MTS surcharges.
- Establish fund accounting to account for and distribute payments to the appropriate state treasury bank accounts.
- Allocate the collected prepaid MTS local UUT to about 150 cities and counties throughout the state.
- Issue billings and refunds.
- Calculate and publish prepaid MTS surcharge rates.
- Generate internal and external reports.

5.1 Solution Description

The solution description outlines the proposed solution to be implemented. This section also discusses areas of impact including approaches of system design, testing, implementation, maintenance and staff resources.

Based on past projects using ticket/problem reporting, BOE estimates our annual maintenance hours range from 15%-25% of the total project hours. The complexity of designing and implementing this program is estimated at over 73,000 hours. BOE estimates that 19% (or 13,000 hours) will be necessary for annual maintenance for this program.

State-level information processing policies (enterprise system strategy)

The BOE has adopted an Enterprise Architecture (EA) strategy in order to create sustainable improvements in Information Technology (IT). The proposed solution will integrate with the existing IRIS architecture which allows the BOE to address new business requirements quickly through standard program logic and data models. The BOE is committed to adopting, maintaining, and adhering to a set of open industry standards and best practices.

Legal & public policy constraints

IT systems must be implemented in adherence with applicable internal and external security, confidentiality, privacy policies, and laws. The proposed solution must meet statutory and regulatory requirements and must be flexible enough to introduce new tax law legislation.

The proposed solution will include both public domain information and confidential data, which require restricted access and a greater level of system security. Any information that relates to the identity of specific customers is strictly confidential and must conform to the Information Practices Act and BOE policies for protection of information assets as required in the State Administrative Manual (SAM) and SIMM Section 70C.

Hardware:

The solution will use the existing BOE and OTech hardware; no additional hardware is needed to accommodate the solution.

In addition, information security and confidentiality are of primary importance in executing this project. BOE's technology platform meets existing internal audit standards, and provides regular system and data backup recovery procedures. BOE's information and security standards as well as ongoing backup and recovery procedures are well understood by BOE technical support staff.

Software:

The solution will require software customization; no additional software licenses will be required.

Technical platform:

BOE staff currently use and maintain all components of the proposed solution in IRIS, ACMS and the mid-tier platform. The solution adheres to the existing BOE enterprise information technology architectural standards and as such, no changes will be required to the technology platform.

Development approach:

BOE staff will update the mainframe system IRIS to collect the new prepaid MTS surcharge and to identify and account for prepaid MTS surcharge delinquencies and facilitate all collection activities for the new surcharge.

The BOE currently uses established BOE System Development Life Cycle (BOE-SDLC) methods for all technical projects. The SDLC includes: business analysis; conceptual design, logical design, physical design, construction, testing, training and user acceptance; data conversion, implementation, and maintenance. The BOE has successfully executed all phases of the BOE Project Management Methodology (BOE-PMM) while following the BOE- SDLC.

Select and estimate percentage of each:

COTS

MOTS

✓ Custom Development 100%

Others

None

Integration Issues:

The proposed solution will integrate with the existing IRIS system and the payment and

registration sub-systems through the current middleware. The application server will make requests and updates to the IRIS database via the middleware components (XML). These requests and updates will utilize current IRIS modules to accomplish these transactions. All data will be stored in IRIS. The proposed solution will include additional interfaces that will reuse the current modules, where applicable to access services online such as those that support the registration, return processing and payment functions by vendors and will integrate with existing tax programs. Integration efforts will need to encompass the current functionality listed in Section 4.2 – *External System Interfaces* and be expanded to include the collection of program-related taxes and surcharges associated with MTS for distribution to the CPUC, OES, and the city and county local jurisdictions UUT surcharge that are used to fund state and local telecommunications programs.

The proposed solution may require the BOE staff to resolve potential integration issues, which may include:

- BOE and OTech network security firewalls
- Network bandwidth
- Interfaces with our existing credit card and Electronic Funds Transfer (EFT) processors
- State Internet standards
- Compliance with State and Federal laws and regulations
- Data storage, retrieval, archive and purge
- Data interfaces with other entities
- System overall performance
- Connectivity to CPUC
- Connectivity to OES

Procurement approach:

The BOE follows the procurement guidelines detailed in the Department of General Services (DGS) State Contracting Manual (SCM), Volume III. In particular, for procurement of Consulting Services (Contractors), BOE conducts solicitations using the DGS Leveraged Procurement Agreements (LPA) including California Multiple Award Contract (CMAS) and Master Services Agreement (MSA), to ensure compliance with the California procurement codes, policies and guidelines, for maximum contractual protection.

In addition, the BOE's Acquisitions Section, makes every effort to seek out and include Small Business (SB) and Disabled Veteran Business Enterprise (DVBE) vendors, and meet the statewide participation goal of 25% for SB participation and 3% for DVBE participation.

The BOE anticipates the need for multiple solicitations for contractors to augment existing State staff, each taking approximately 14-16 weeks. The following general timeline will apply.

Table 5-1 – Solicitation Timeframe

Action	Time Allocated
Development of the SOW/RFO	4 weeks
Release of RFO	6-8 weeks
Vendor questions & responses Vendor submits questions via e-mail BOE responds to questions via e-mail	1 week
Evaluation process	2 weeks
Contract Awarded	1 week

Proposed Prime Vendor Procurement Vehicle(s):

- IFB
- RFI
- ✓ CMAS
- ✓ MSA
- ✓ RFO
- RFP
- Others
- None

Proposed Prime Vendor Contract Type:

- Fixed Price
- ✓ Time and Materials
- Percentage of Benefit
- Other

BOE’s TSD is hiring CMAS contractors under terms that meet the requirements of Government Code Section 19130(b), paragraphs (3), and (10). These services are urgent as the contract resources are necessary to ensure implementation by January 1, 2016 for Assembly Bill (AB) 1717 (Prepaid Mobile Telephony Services Surcharge and Local Charge) which contain a significant number of complex business and technical requirements.

In order to comply with this legislative mandate, and ensure project success, TSD requires the use of contractor resources. The complexity of the new AB 1717 Project implementation coupled with the January 1, 2016 system delivery deadline, rank this effort as Tier IV complexity according to

the Department of Technology CA-PMM Complexity Assessment, and will require strong project management and high level technical expertise to implement. In conjunction with BOE staff, contractors will assist making the system modifications and enhancements required for the prepaid MTS surcharge and local charge.

The contract term is for the period of July 1, 2015 through June 30, 2016.

Table 5-2 – Contract Table

CONTRACT TABLE:										
Contract Number	Type of Contract	Has the contract been awarded (Yes/No)	If so, what is the date of the award? If not, what is the planned award?	Start date of Contract	End date of Contract	Total Value of Contract	Will this be an Interagency Acquisition? (Yes/No)	Will this contract be performance based (Yes/No)	Will this be competitively awarded? (Yes/No)	What, if any, alternative financing option(s) are being used? i.e., Loan, grant, or other
FY 2015/16										
	Software Customization	No	TBD	7/1/2015	6/30/2016	\$1,620,000	No	No	Yes	None
	IV&V	No	TBD	7/1/2015	6/30/2016	\$80,000	No	No	Yes	None

Technical Interfaces:

The new solution must integrate with BOE's current architecture. BOE may be required to develop technical interfaces with some internal and external systems to enable vendors to register, file returns, and make payments as well as access information and instructions via the web interfaces. The BOE staff will develop the modifications needed to accommodate new functionality so that the system functionality related to banking; payment, refund and data sharing can interface with the following:

- EFT provider
- SCO interface to distribute this new UUT local tax
- CPUC
- OES
- Local Jurisdictions

Additional Interfaces may be needed for the following systems (to be determined later):

- Documentum
- Interactive Voice Response
- Call Center Network
- Xerox DocuSP (batch printers)
- Online Services

These interfaces and the tasks associated with modifying or implementing them will be included and tracked in the project management plan and schedule.

Accessibility:

New enhancements must be developed in accordance with the Information Technology Accessibility Policy found in the SAM. In addition, the new system must be in compliance with laws, regulations, and policies regarding accessibility to digital content and to IT applications for state employees and the public. The new enhancements must meet accessibility requirements pursuant to Section 508 of the Rehabilitation Act (29 U.S.C. 794d) (hereafter, Section 508) and California Government Code section 11135. These requirements will be validated by using a requirements traceability matrix and during testing.

Testing plan:

The BOE standard application development lifecycle will be followed for all project phases including testing. The project team will develop a Testing Plan for the MTS Project which will include our standard approach to testing and acceptance. Our approach includes: testing and acceptance phases, utilizing our existing test toolset, describing the roles and responsibilities associated with the efforts, and creation and execution of test plans and test scripts.

Testing and User Acceptance consists of the following phases:

- Unit/Integration Testing

- System Testing
- User Acceptance Testing

Unit/Integration testing is the first phase of testing performed on each application component. Application developers will create unit/integration test scripts from the technical and functional requirements to identify the testable conditions, necessary input data, and the expected results for any testing. This process will include performance and load balance testing.

System Testing is the second phase and includes regression testing. The system test team will create system test scripts from approved business and user requirements to test new, modified and supporting applications. The test team relates requirements to test scripts to ensure effective testing.

User Acceptance Testing (UAT) is the third phase, which involves business staff. The UAT is performed to validate that the application is functional and usable for internal and external users.

UAT will be accomplished by the BOE staff (at various classification levels depending upon program area). Staff normally conducts testing for 6-8 hours per day. This provides adequate time to correct any minor deficiencies found each day prior to the next day's testing effort.

Resource requirements:

Resources required to procure, develop, and implement the proposed solution will be drawn from a combination of existing BOE program and IT personnel, contracted resources, and additional positions in the Spring Finance letter. The MTS project will require BOE staff with program knowledge, application development and deployment and project management experience and skills.

The new positions, required to meet the AB 1717 mandate, are necessary to develop, design and implement the MTS surcharges as well as to provide ongoing support. Tasks will include establishing business processes, requirements, procedures, user testing, rule-making, help desk, etc., to ensure compliance with AB 1717 and all related laws and regulations.

Training plan:

Training for program staff on the new processes will consist of a training module that will be presented to staff in each district and branch office, as well as appropriate headquarters' staff. The online services contact person will act as a resource person for the local offices after the training. Once staff statewide has been trained, the materials will be turned over to the appropriate training sections to be incorporated into the standard BOE training courses. The BOE has an established training program which consists of on the job training for the IT Staff.

On-going maintenance:

BOE IT staff will be responsible for supporting and maintaining the new system. Additional BOE positions will be added to implement the solution and perform the following services as part of ongoing system maintenance:

- Provide support for technical issues and malfunctions with the system
- Respond to and resolve system malfunctions in a reasonable timeframe
- Receive and analyze requests for modifications to the system
- Develop requirements for the proposed changes

- Design and develop the proposed changes
- Test changes
- Provide information and training on new functionality to program staff
- Provide database administration
- Provide infrastructure support

The BOE IT staff will manage all production infrastructure hardware maintenance, backup and restoration activities.

Information security:

Information security and confidentiality are of primary importance in executing this project. The approach for information security will be consistent with the State Administrative Manual 5300. The functionality of the proposed solution conforms to existing collection processes so that the security components are well understood. The proposed solution will use the existing and proven BOE technology platform which meets existing information security requirements, internal audit standards, and provides regular system and data backup procedures. The BOE information security standards as well as ongoing backup and recovery procedures are well understood by the BOE technical support staff. Additionally, the BOE database administration staff is well versed in system performance monitoring and tuning. No new information security requirements have been identified for the proposed solution. However, as the BOE completes requirements definition and detailed design, new or changed information security requirements may emerge.

Confidentiality:

The proposed solution is consistent with current state and federal laws and regulations with respect to confidentiality and privacy of customer information. These include but are not limited to IRS Publication 1075, Tax Information Security Guidelines for Federal, State and Local Agencies, and applicable sections of NIST 800-53. Any contract with private vendors will contain the standard terms and conditions of the State Model Contract, which requires contractors to protect the confidentiality of data and information made available to the contractor by the BOE.

The BOE employee project team members, contractor project team members and vendor representatives are required to sign Forms BOE-4, Confidentiality Statement and BOE-894-Confidentiality Certification, and to follow existing agency confidentiality policy. Project team members are required to sign confidentiality statements and will follow existing agency confidentiality policy.

Impact on existing system:

Based on the proposed solution, it is anticipated that up to 80,000 MTS surcharge tax/fee payers will register, file returns and make payments during this first year. The existing systems will allow MTS sellers to access these services online and will integrate with existing programs. In addition, there will be other online services accessed throughout the year, rather than on peak periods each quarter.

There may also be an impact to existing project and maintenance and operations. Currently the BOE's IT Project Portfolio contains other complex projects that are running concurrent to the MTS Project:

1. CROS Project (Centralized Revenue Opportunity System) Project
2. RRaCE Project (Revenue Recovery and Criminal Enforcement, AB 576)

3. Use Fuel Tax: Natural Gas (AB 1907)
4. Triple Flip Sunset (AB 92)
5. Open BOE Data Portal Project
6. Mass Refund Process (CA Supreme Court/DELL)
7. BOE Functional Realignment Project
8. Online Account Maintenance
9. Organizational Change Management
10. Network Infrastructure Upgrade

The Project Portfolio also includes a list of moderately complex projects. The Portfolio is being updated to include additional new projects resulting from other recently signed legislation. We will then evaluate the portfolio and determine which projects will have to be delayed or put on hold due to MTS.

Online Registration:

The law states that every application for registration shall be made upon a form prescribed by the board. BOE's current format for registration is online. Therefore, BOE intends to require online registration capability for this program like the sales and use tax program

Online registration will be changed to register new MTS businesses and existing MTS businesses. This will be the first new tax program to be added to BOE's Online Registration system since implementation in 2012. This proposal will require requirements gathering, system design, programming and testing of the online registration system to include the additional questions necessary to properly identify both retail sellers and direct sellers of prepaid MTS. Vetting questions will be added to online registration services to allow retail sellers and direct sellers to register correctly for the new prepaid MTS surcharge. The business rules that enforce the new registration requirements will be gathered, documented and programmed to validate the online vetting questions and direct the tax/fee payer through the online registration process. In addition accounts will need to be coded properly so the tax/fee payer will receive the proper schedules for reporting prepaid MTS surcharge and collecting local charge amounts if applicable.

Many sellers of prepaid MTS are already registered with the BOE for either the Sales and Use Tax program as retailers or the Emergency Telephone Users Surcharge (ETUS) program as service providers. However, there are businesses that are not currently registered with the BOE as they do not sell tangible personal property, but they do sell prepaid MTS. This is an increase in transactions for the existing system. As a result of the increased transactions, an increase in incidents and storage is also expected.

New registration information will be loaded into IRIS. IRIS will be the main repository for all new prepaid MTS registration information. The Taxable Activity Registration (TAR) and Special Taxes Registration (SPR) subsystems of IRIS will contain the new registration information.

Online Return Filing:

All retail sellers of prepaid MTS must file their quarterly tax return online. The prepaid MTS tax return reports amounts for multiple component funds (911, CPUC, and Local UUTs). Even though

BOE is leveraging an existing online return filing system, adding this new tax program requires significant system changes to assure the tax reported is remitted to the proper funds.

What makes the prepaid MTS surcharge unique and new to IRIS is how the local tax component must be administered. BOE currently administers a local tax component as part of the Sales and Use Tax Program, however the new prepaid MTS local tax component cannot utilize any of the existing system functionality or processes. In fact, additional effort must be made to assure that the two processes and funds are kept separate. This requires the system to store and track unique codes for each prepaid MTS local jurisdiction (cities and counties).

The prepaid MTS local tax component currently includes approximately 150 city and county jurisdictions, with a current maximum number of prepaid 500 MTS local tax jurisdictions. Tracking sales made in all prepaid MTS local tax jurisdictions will require creation of a new online reporting schedule for prepaid MTS sellers. Since the number of prepaid MTS local tax jurisdictions will likely increase, this function will also require regular updates and maintenance for on-going years.

A new fund accounting process must be created to track and distribute all retail seller's prepaid MTS payments received by component funds (911, CPUC, and each 150 Local UUTs). It is imperative that the system accurately reflect the amount reported in each fund. In order to accomplish this, the allocation to each component fund must reflect payment received, refunds issue and bad debt deductions claimed.

BOE's credit card payments are made through an outside vendor OPC (Official Payments Corporation). The OPC must modify their system to allow proper fund reporting to BOE of prepaid MTS payments. Similarly, BOE's Electronic Fund Transfer (EFT) processor, Citibank, must modify their system for EFT payments to show amounts paid by fund. Additional coordination and communication with these entities will be needed successfully implement these changes.

IRIS must also be designed to allow for annual tax rate adjustments for each prepaid MTS component fund. Since tax returns can be filed for any prior reporting period, these annual rate adjustments add complexity by requiring the system to apply the historical tax rates for each prepaid MTS component based on the reporting period of the tax return.

Retail sellers will be allowed to retain two percent (2%) of their prepaid MTS sales to offset their administration costs. Such reimbursements are not part of the Sales and Use Tax program and only exists for two tax programs administered by BOE. Properly accounting for this reimbursement will require additional modifications for many existing reports and areas of IRIS.

Requirements for the local tax schedule, fund accounting processes, and annual tax rate adjustment process will make the design of prepaid MTS local tax in IRIS significantly complex and comprises approximately 25% of the development work.

Direct Sellers - All direct sellers must report the new prepaid MTS 911 surcharge electronically under the existing ETUS Program. BOE's online services and IRIS will be enhanced to provide eFiling capability, which will allow direct sellers to report ETUS transactions and the new prepaid MTS surcharge on one electronically submitted tax return. Allowing taxpayers to report prepaid MTS transactions with ETUS transactions provides a streamlined tax reporting capability to these entities.

New Compliance Requirements:

BOE must periodically post on our public Internet website the list of CPUC End-User Surcharges rates, the ETUS rate (separately and rolled-up rates comprising the MTS surcharge), and the Local UUT rates. In addition, online services must post on the BOE public Internet website a

notification of whether the amount collected for the prepaid MTS surcharge in a state fiscal year exceeds or is less than \$9.9 million along with the underlying calculations, assumptions, and methodology. This will result in an increase in workload for the Administration Department and Web Services Unit.

A fund accounting process must be created in IRIS to account for the amount collected from indirect and direct sellers for the prepaid MTS surcharge. If underfunded, then the BOE must bill each direct seller its pro rata share of that deficiency. Extensive analysis, design, programming and testing will be needed for the IRIS system, subsystems, accounting and billing systems.

A new delinquency must be created in IRIS when a retail seller fails to file the prepaid MTS surcharge return. A new billing for the prepaid MTS surcharge liability must be created in IRIS when retail sellers fail to pay the prepaid MTS surcharge due on their tax return. A new prepaid MTS surcharge delinquency mail notice and billing mail notice must be created for retail sellers.

Although the prepaid MTS surcharge and local charge will be administered by the Sales and Use Tax Program for retail sellers and by Special Taxes and Fees Program for direct sellers (MTS only), having new surcharges due will result in new delinquencies from prepaid MTS sellers. The prepaid MTS surcharge is administered under the Fee Collection Procedures Law while the Sales and Use Tax Law is contained in the Revenue and Taxation Code (RTC). Unlike RTC, the administrative provisions in the Fee Collection Procedures Law does not allow for revocation or suspension of a permit for failure to comply. Due to differences between the administrative provisions, analysis, design, programming and testing will be necessary to ensure each collection activity for each liability is performed consistent with applicable administrative provisions.

Additional programming will be required to reference the appropriate Fee Collection Procedures Law sections on collection documents that require the law citation such as liens, levies and earnings withholding orders.

Consistency with overall strategies:

The proposed solution must be consistent with BOE's strategic program and IT goals. The proposed solution will improve the way BOE administers, processes, and collects information and tax/fees/surcharges from customers.

Listed below is the BOE 2020 Strategic Plan issue/strategy impacted by this proposal and how it is addressed in the proposed solution:

Strategic Plan Goal 2: Maximize Voluntary Compliance

The BOE will implement the new prepaid MTS surcharge as required by the deadline in order to enable tax/fee/surcharge payers to understand and comply with these new legislative requirements.

Impact on current infrastructure:

The proposed solution will have an impact on the current departmental infrastructure to support new BOE employees, including but not limited to the following:

- Added network traffic
- Additional network storage
- New workstations and licensed software

- Increased facilities and telephone costs

The costs of these items are documented in either the 'One-Time' or 'On-Going' Costs areas of the EAWs included in Section 8.0 of the FSR.

Impact on data center(s):

Data Center services will be needed to support the new workload associated with expanded web services, additional processing time for mainframe transactions, increased storage, increased capacity for middle-tier UNIX environment, and Wintel platform.

System Hosting/ Data Center Consolidation:

- ✓ OTech Managed Services
 - OTech Federated Data Center
 - Agency/state entity
 - Outsourced/Other

The solution will utilize existing hardware and software infrastructure hosted at OTech.

Backup and operational recovery:

The solution will leverage existing systems and processes that include the system backups with the capability to restore in the event of a disaster. The solution does not change our current backup procedures. Requirements are addressed in the current BOE Technology Recovery Plan:

- All critical systems will be backed up via the current OTech back-ups of all critical servers to ensure server recoverability in case a disaster occurs.
- All systems will have complete redundancy with no single point of failure.
- Data retention will follow BOE's established standards.
- BOE participates in OTech's Disaster Recovery Services.

Public access:

Customers will be able to access information as they do today, with no changes to the type of information they can access or the way they access information. Customers will never have direct access to any production system databases. The BOE database servers will be located within a secure environment behind OTech and BOE firewalls.

5.2 Rationale for Selection

Of all the alternatives examined, only the selected alternative can objectively meet the full range of program goals and objectives of the BOE based on the legislative effective date. Using the existing solution approach by leveraging existing technologies and expertise helps to meet program process deliverables and creates an environment to best ensure overall project success. The selected alternative provides for several significant advantages over the other alternatives including:

Leverages existing expertise:

Using an internally developed solution allows BOE to act as both the technical and program experts, defining the program functionality required to meet the State's Legislative objectives. Additionally it reduces reliance on vendors to provide the technical expertise to meet program needs.

Leverages existing technology:

Leveraging existing technology allows the BOE to get the most from our current technology investments as well as ensuring that we are using the features and capabilities of our technology to its full extent and maximizing return on investment of the current systems.

Timely implementation:

By using existing technology, internal expertise, and augmented staff, BOE will be able to implement this new program by the operative date as required in the legislation. This will allow the BOE to realize the increased revenues for the prepaid MTS program while maximizing these results in a most efficient manner.

5.3 Other Alternatives Considered

The BOE considered various alternatives to the proposed solution. The two alternatives that made the most technological sense were to either implement the functionality for AB 1717 into a completely custom built application that meets specific business needs or by procuring a commercial-off-the-shelf (COTS) system.

AB1717 requires online registration. As described in the AB1717 Stage 1 Business Analysis, IRIS, online registration, and online filing applications are the baseline application, data, and technology capabilities for the AB1717 Prepaid MTS Surcharge solution. AB1717 must be implemented by January of 2016.

5.3.1 Describing Alternatives

Alternative 1 – Implement COTS technology solution to replace current system.

In this method, every form, schedule, return, or screen that is needed will be configured into a new COTS solution.

Costs:

Costs for this alternative were not developed since this alternative did not fully satisfy the project objectives or functional requirements.

Benefits:

A COTS system must define new hardware and new business rules. It would also require the development of new interfaces and links to the mainframe, mid-tier, and online filing systems. Even the presentation layer to the end-user from a new system would need to be developed so that it has a similar look and feel.

Advantages:

- No legacy system to support or upgrade.
- Support is often included or can be added with a maintenance contract.

- Upgrades may be provided for free or at reduced cost.

Disadvantages:

- Maintenance can be expensive.
- Staff must be trained on new technologies.
- May not fit into current organizations enterprise architectural plans.
- Creates a fragmented and disjointed tax/fee payer experience, requiring tax/fee payers to access multiple systems for compliance.
- A COTS system would still have to integrate with the legacy system.
- The solution may create more complexity for the sellers as they will have to interact with the BOE using different platforms dependent on which tax/fee/surcharge they are registering, filing, or any other online transaction they are performing.

Alternative 2 – Implement a new custom built technology solution to meet system needs.

In this method, every form, schedule, return, or screen produced must be custom built from the ground up.

Costs:

Costs for this alternative were not developed since this alternative did not fully satisfy the project objectives or functional requirements.

Benefits:

Custom developed solutions generally ensure all business needs are met. These solutions also ensure that as business needs evolve; all necessary enhancements can be developed by internal staff and deployed as needed. Additionally, all technical support can be handled internally so that the need for long-term maintenance contracts is reduced. Again, it must be noted that along with these benefits, the BOE must be adequately staffed as new development of any type must be supported by additional staff and adds to the current portfolio of systems already in production.

Advantages:

- Can be made to fit specific needs.
- Would retain local support.
- Ability to make immediate fixes and enhancements.
- Localized & focused customer/user base.
- Investment in updates and enhancements is controlled.
- Can be designed to support legacy systems as needed.
- Can start with the minimum necessary requirements and add on later.

Disadvantages:

- Maintenance can be expensive.
- Staff must be trained on new technologies.

- May not fit into current organizations enterprise architectural plans.
- Would still have to integrate with the legacy system.

6.0 PROJECT MANAGEMENT PLAN

BOE recognizes the importance of a sound project management plan in order to have a successful project. This project will utilize the BOE Project Management Methodology (BOE-PMM) and establish a dedicated BOE Project management team.

6.1 Project Organization

Figure 6-1- Project Team Organizational Chart
BOE AB 1717 Prepaid Mobile Telephony Services
Surcharge Project Team

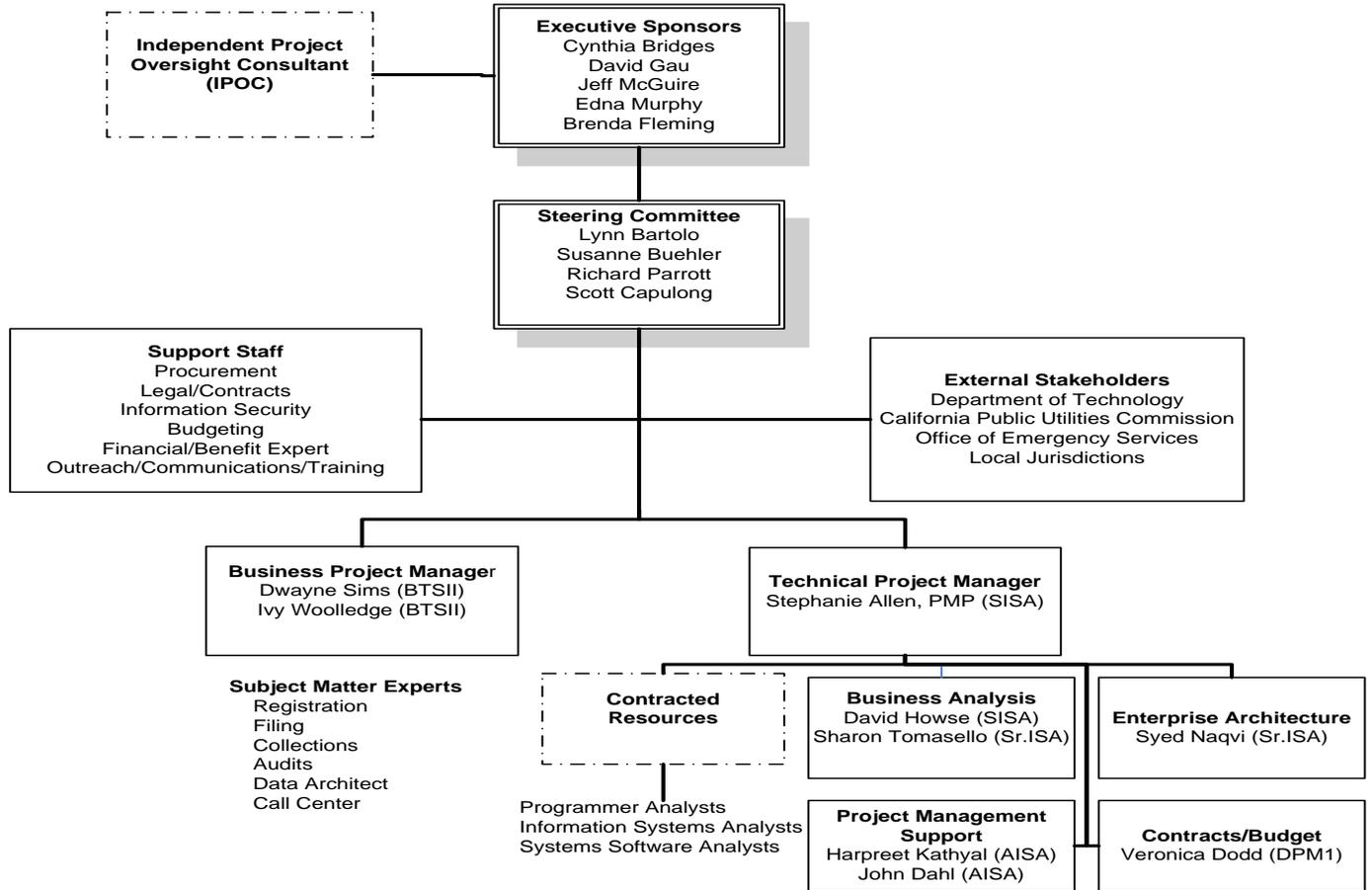


Figure 6-2 – Impacted Program Organizational Chart - SUTD

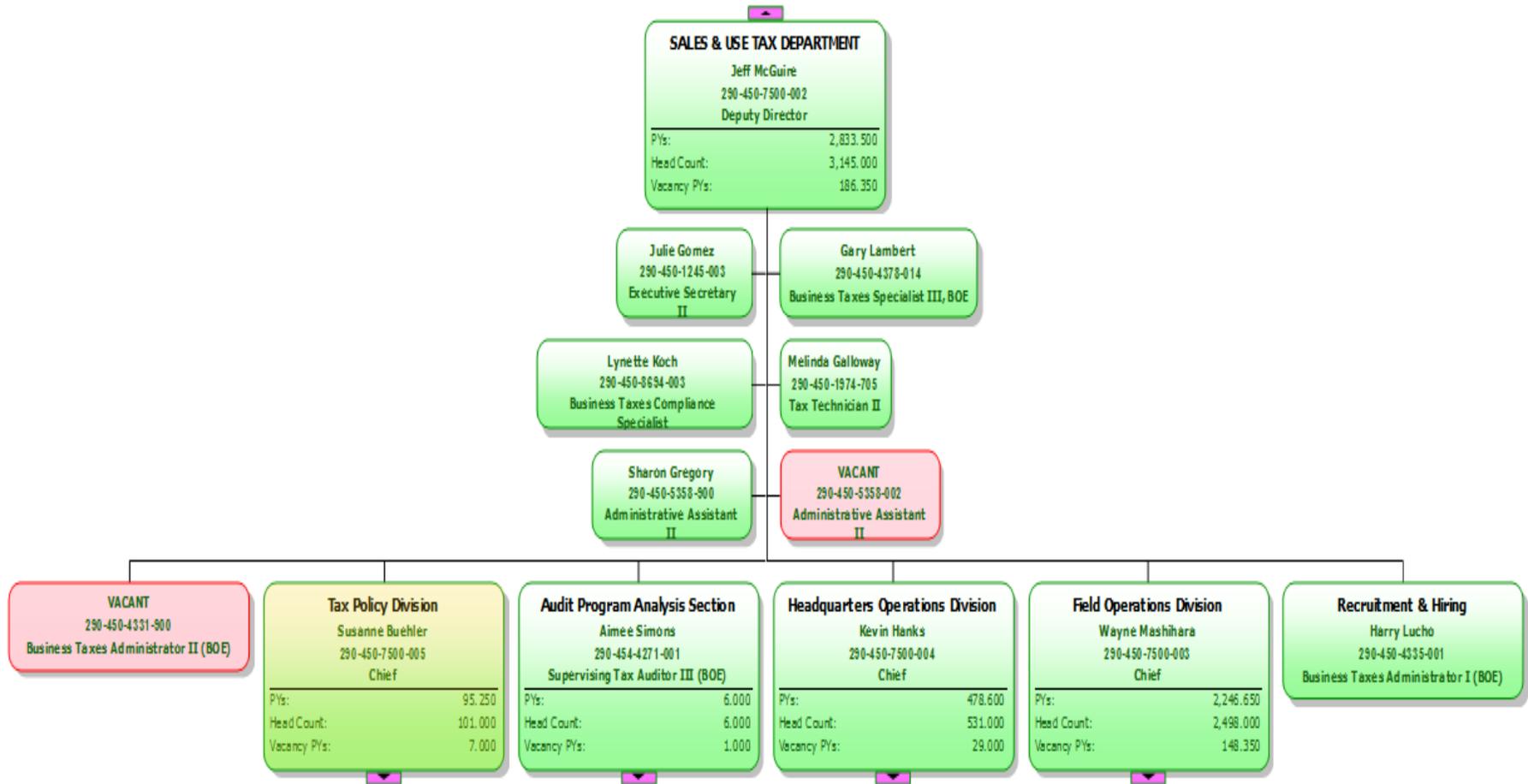


Figure 6-3 – Impacted Program Organization Chart – Special Taxes Policy & Compliance Division

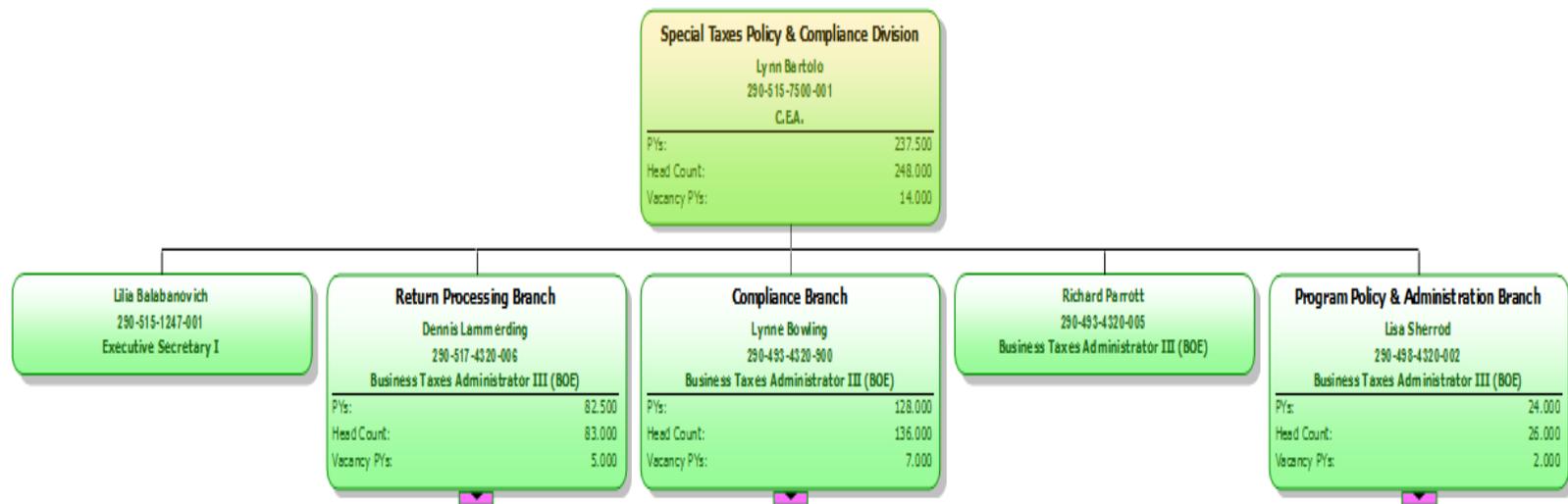


Figure 6-4 – Impacted Program Organizational Chart – Financial Management Division

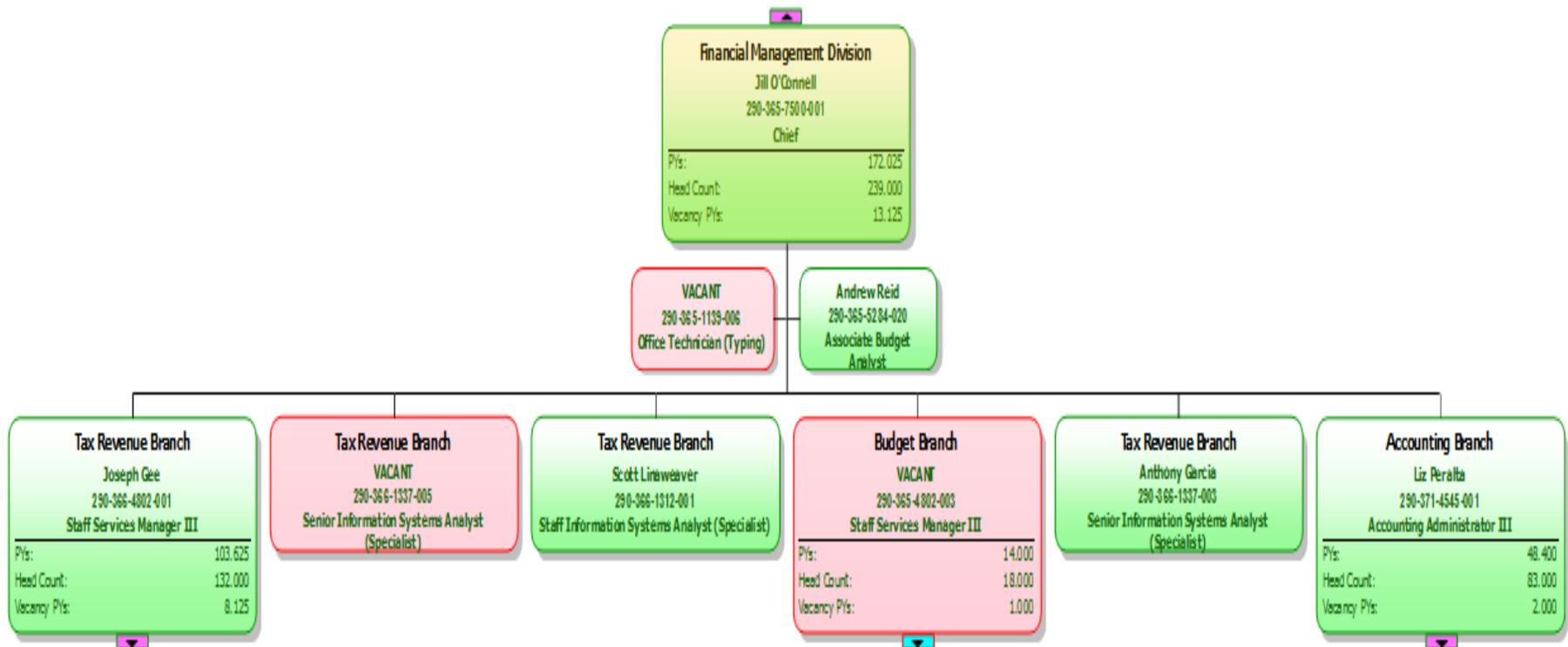
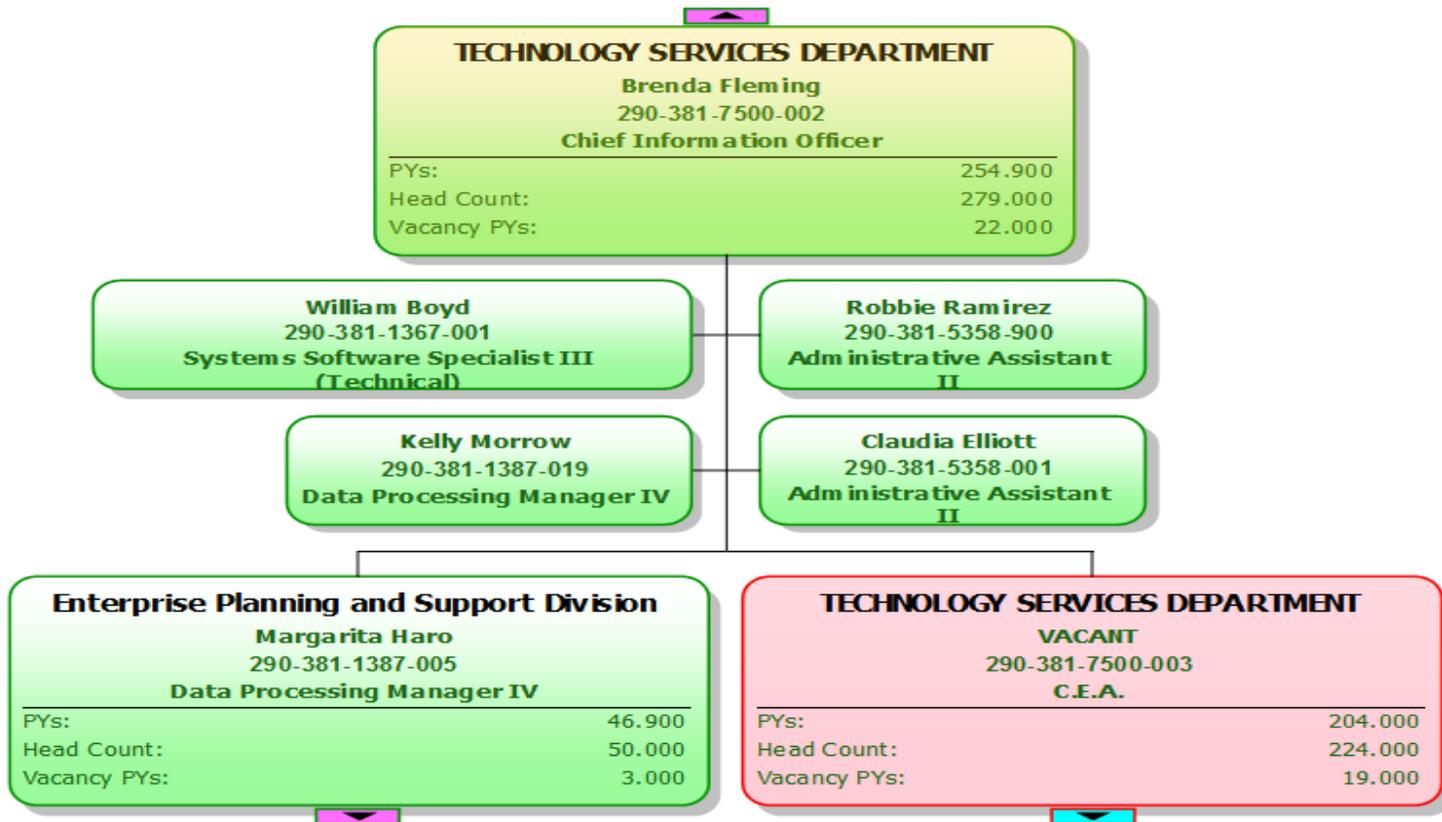


Figure 6-5 – Impacted Program Organizational Chart - TSD



6.2 Project Plan

The project will utilize the BOE-PMM to develop the project management plan. The BOE-PMM is aligned with the California Project Management Methodology (SIMM 17). Microsoft Project will be used to develop the project schedule including the work breakdown structure, assigned staff resources, task dependencies, and task status. A SharePoint Project Site will be utilized to collaborate with project team members

6.2.1 Project Phasing

The project will utilize a phased approach to produce the following project deliverables. The schedule for this project will be developed in consultation and discussion with BOE management to manage risk and ensure that program operations are not negatively impacted.

Table 6-1 Project Phasing

Project Phase	Phase Deliverables
Initiation	<ul style="list-style-type: none"> • Feasibility Study Report (FSR) • FSR Approval • Project Charter
Procurement	<ul style="list-style-type: none"> • Vendor selection and Contract(s) Award (LPAs and IAAs approved)
Planning	<ul style="list-style-type: none"> • Project Management Plans <ul style="list-style-type: none"> • Master Project Management Plan • Staff Management Plan • Communication Plan • Risk Management Plan • Procurement Plan • Cost Management Plan • Quality Management Plan • Governance Plan • Project Schedule • Configuration Management Plan • Change Management Plan • Scope Statement

6.2.2 Project Schedule

Table 6-2 Project Schedule

Major Milestones	Est. Start Date	Est. Complete Date
Project Initiation	7/1/2015	9/1/2015
Conduct Outreach with Taxpayers	9/01/2015	3/1/2016
Gather Requirements	7/1/2015	9/1/2015
Registration Design	8/15/2015	8/28/2015
Online Filing Design	8/15/2015	9/1/2015
Registration System Development	9/1/2015	11/7/2015
Online Filing System Development	9/1/2015	3/1/2016
Integration Testing Registration	11/8/2015	11/28/2015
System/UAT Testing Registration	12/1/2015	1/31/2016
Integration Testing Online Filing	2/29/2016	3/18/2016
System/UAT Testing Online Filing	3/19/2016	5/30/2016
End User Training	12/1/2015	2/1/2016
Registration Implementation	2/1/2016	2/1/2016
Return Processing (Billing, Payments, Refunds) Implementation	6/1/2016	6/1/2016
Reporting Implementation	9/30/2016	9/30/2016
Project Closeout	12/1/2016	12/30/2016
Post Implementation Evaluation Report	12/30/2017	6/30/2018

6.3 Authorization Required

The BOE approval for this FSR is required from the Executive Director, the Chief Information Officer, and the Budget Officer. Approval is required from the California Department of Technology as part of the standard FSR project approval lifecycle.

7.0 Risk Register

The following process will be used to identify risks: The Project Manager working with technical and business subject matter experts will prepare a baseline Risk Management Plan in accordance with the CA-PMM. This plan will be used on an ongoing basis to identify and monitor risks, quantify the potential impact of each identified risk, present mitigation plans for each identified risk and enact appropriate risk responses. Mitigation measures and contingency plans will be developed and implemented as high-priority risks are identified and monitored.

The Technical Project Manager will be directly responsible for managing project risks and will regularly report the status of risk to the Project Team throughout the project. The Risk Management Plan will include an escalation plan that clearly defines the escalation path per the Communications Management Plan.

Figure 7-1 – Risk Probability and Impact Scales

Probability Scale		Impact Scale	
1	<20%	1	Less than a 5% change to schedule, scope, budget, or quality
2	21 - 40%	2	5 - 10% change to schedule, scope, budget, or quality
3	41 - 60%	3	11 - 15% change to schedule, scope, budget, or quality
4	61 - 80%	4	16 - 24% change to schedule, scope, budget, or quality
5	>80%	5	25% or greater change to schedule, scope, budget, or quality

Table 7-2 - Risk Register

#	Risks	Probability (1 - 5)	Potential Impact (1 - 5)	Risk Management Action must begin...	Risk Level (1 - 25)	Cause	Consequences	Mitigation Plan
1	If the project team is unable to implement within project timeline	4	5	Over a year from now	20	Mandated timeline with tight schedule	Scope decrease, decrease in project staff	Reduce scope if project budget is reduced.
2	If the procurement for contractor resources is delayed.	3	5	Within the next six months	15	FSR is not approved	Project delays	Coordinate approval of FSR
3	If resources (SMEs) are unavailable to participate in the project.	3	5	Within the next six months	15	Conflicting projects/priorities. Lack of resources.	Requirements not identified, design not complete, testing not complete	Work with Stakeholders to ensure resource commitments. Use resource leveling and smoothing techniques to work through any resource constraints.
4	If the requirements are incomplete or unclear	3	5	Within the next six months	15	Lack of time to completely define and document requirements.	Rework, project delays	Requirements Management Plan creation to plan for requirements gathering and documentation
5	If there is a decrease in required project funding	3	4	Six months to a year from now	12	Scope not achievable, missing requirements, unclear requirements	Project scope not delivered, project delays	Project Manager continuously tracks project progress against deliverables and schedule. The Project Manager meets frequently with the Steering Committee to identify issues and expedite resolution. Effectively manage change control process. Adjust schedule as necessary.
6	If CPUC's timeline for implementation is not in alignment with the BOE timeline for implementation.	2	4	Six months to a year from now	8	Differing project schedules	Project delays	Work closely with the CPUC to insure our timelines are in sync. Include them in the Stakeholder Management and Communications Management Plans.

8.0 ECONOMIC ANALYSIS WORKSHEETS (EAWs)

The worksheets included in this section provide a comprehensive analysis of the costs associated with the proposed solution for implementation of the MTS project. Instructions for the Economic Analysis Worksheets (EAW) require full analysis of those alternatives that satisfactorily meet the objectives and functional requirements. As identified in Section 5, the only alternative that would meet these requirements is the proposed solution.

The EAWs present estimated personnel years (PYs) and costs for state fiscal years (SFYs) 2015-16 through 2016-17, representing the one-time project costs and continuing costs for maintenance and operations (M&O) for MTS.

This section presents the assumptions made to prepare the cost sheets pursuant to the EAW guidelines. The EAWs are presented as follows:

- Existing System/Baseline Cost Worksheet
- Proposed Alternative Worksheet
- Economic Analysis Summary Worksheet
- Project Funding Plan Worksheet

8.1 Existing System/Baseline Cost Worksheet

Since MTS is a newly mandated program, there are no existing costs.

Table 8-1 – Existing System/Baseline Cost Worksheet

SIMM 20C, Rev. 06/2014

Agency/state entity: Board of Equalization
 Project: Mobile Telephony Services Surcharge

EXISTING SYSTEM/BASELINE COST WORKSHEET

All costs to be shown in whole (unrounded) dollars.

Date Prepared: 2/2015

	FY 2014/15		FY 2015/16		FY 2016/17		FY 2017/18		FY 2018/19		TOTAL	
	PYs	Amts										
Continuing Information												
Technology Costs												
Staff (salaries & benefits)	0.0	0	0.0	0	0.0	0	0.0	0	0.0	0	0.0	0
Hardware Lease/Maintenance		0		0		0		0		0		0
Software Maintenance/Licenses		0		0		0		0		0		0
Telecommunications		0		0		0		0		0		0
Contract Services		0		0		0		0		0		0
Data Center Services		0		0		0		0		0		0
Agency Facilities		0		0		0		0		0		0
Other		0		0		0		0		0		0
Total IT Costs	0.0	0										
Continuing Program Costs:												
Staff	0.0	0	0.0	0	0.0	0	0.0	0	0.0	0	0.0	0
Other		0		0		0		0		0		0
Total Program Costs	0.0	0										
TOTAL EXISTING SYSTEM COSTS	0.0	0										

8.2. Proposed Alternative Cost Worksheet

The following section provides a description of the costs associated with the MTS solution, as shown in Table 8-5, Proposed Solution Economic Analysis Worksheet.

One-Time IT Project Costs:

The One-Time IT Project Costs for the proposed alternative is based on the following assumptions:

- The development and implementation work will be completed in fiscal year 2015/2016.
- One-time development and implementation is estimated at \$3,889,389. This cost includes the following:

Staff:

The estimated level of staff effort from project initiation through implementation is 17.8 PY in SFY 2015/2016. A breakdown of the one-time IT positions shows both new and redirected as follows:

Table 8-2 – One-Time Staffing Breakdown

One Time		Staffing Needs	CY FY 2014/2015	BY FY 2015/2016		
			PYs	Staff Cost	PYs	Staff Costs
New	BA/EA	Staff Info Syst Analyst	0.00	\$0	1.00	\$73,548 b/
New	PMO	Staff Info Syst Analyst	0.00	\$0	1.00	\$73,548 b/
New	IRIS	Staff Programmer Analyst	0.00	\$0	2.00	\$147,096 b/
New	EISU	Staff Info Syst Analyst	0.00	\$0	2.00	\$147,096 a/
New	ACMS	Staff Programmer Analyst	0.00	\$0	1.00	\$73,548 b/
Total New Positions					7.00	\$514,836
Redirect	EPSD	Senior Info Syst Analyst	0.00	\$0	0.50	\$36,774
Redirect	PMO	Staff Info Syst Analyst	0.00	\$0	0.00	\$0
Redirect	PMO	Associate Info Syst Analyst	0.00	\$0	0.00	\$0
Redirect	IRIS	Staff Programmer Analyst	0.00	\$0	4.50	\$330,966
Redirect	EISU	Staff Info Syst Analyst	0.00	\$0	3.00	\$220,644
Redirect	ACMS	Staff Programmer Analyst	0.00	\$0	1.00	\$73,548
Redirect	EISU/CMO	Staff Info Syst Analyst	0.00	\$0	0.50	\$36,774
Redirect	DBA	SSS II (Spec)	0.00	\$0	0.50	\$45,450
Redirect	EPSD/REQ	Senior Info Syst Analyst	0.00	\$0	0.00	\$0
Redirect	EPSD/EA	Senior Info Syst Analyst	0.00	\$0	0.00	\$0
Total Redirect Salaries			0.00	\$0	10.00	\$744,156
Total New & Redirect Salaries			0.00	\$0	17.00	\$1,258,992
				Benefits		\$595,534
				Temp Help	0.8	\$58,440
				TOTAL Personnel Services	\$0	\$1,912,966

a/ - Permanent position(s) starting 07/01/2015.

b/ - 1-YR LT effective 07/01/2015 to 07/01/2016.

Approximately ten redirected IT staff will be required to initiate, plan and begin development in SFY 2015/2016 in order to implement by the January 1, 2016 system delivery date. The MTS program requires a significant number of complex business and technical requirements.

Seven new positions, consisting of two permanent positions and five one-year limited term positions are required in SFY 2015/2016 to implement MTS (See Table 8-4). IT staff will make changes to existing mission critical legacy systems to comply with the new law. The bill specifically requires IT staff to enhance our systems for registration, reporting, collections, refunds, appeals, and post on its Internet Web site individual rates (PUC surcharges, 911 surcharge rates, and each of the individual local charges). The key elements are the interfaces between the BOE's mainframe and database systems and the web-based pages used to provide taxpayer services. Complexity is compounded by the additional new functionality of programming, administration, and support of the local component associated with this legislation.

Telecommunication Costs:

A one-time cost of \$8,750 will be incurred for telecommunication expenses this includes telephone equipment, land line purchases, communication installation and relocation.

Contract Services:

In order to comply with this legislative mandate, and ensure project success, TSD requires the use of contractor resources. The complexity of the new AB 1717 Project implementation coupled with the January 1, 2016 system delivery deadline will require technical expertise to implement. In conjunction with BOE staff, contractors will assist making the system modifications and enhancements required for the MTS project.

The one-time contract service for one-time software customization is estimated to be \$1,620,000. A contract team of analysts and programmers that have specific Java and Natural/ADABAS skills will be brought in to make programming changes alongside existing BOE programmers and analysts to support MTS and will augment the internal BOE development team.

The Independent Verification and Validation (IV&V) contract services required by the Department of Technology is estimated to be \$80,000. The contract will be funded through augmented funds in SFY 2015/2016.

Data Center Services:

Data center costs are estimated at \$37,075 on published rates at the Department of Technology Services for transaction costs, database server support, disk storage, and backup services. Data center costs will include a Department of Technology oversight resource as required by the Department of Technology for \$113,000 in SFY 2015/2016, for a total estimate one-time cost of \$150,075.

Other Costs:

A one-time cost of \$111,798 will be incurred for operating expenses, including staff office automation, office supplies, modular furniture, computers, software licenses, and training.

Continuing Costs:

The complexity of supporting this new program is estimated at over 3,950 man-hours. This estimate of less than 20% of the total project hours will include the following services:

- Provide support for technical issues and malfunctions with the system
- Respond to and resolve system malfunctions in a reasonable timeframe
- Receive and analyze requests for modifications to the system
- Develop requirements for the proposed changes
- Design and develop the proposed changes
- Test changes
- Provide information and training on new functionality to program staff
- Provide database administration
- Provide infrastructure support Staff:

A total of 2.8 PY will be required for ongoing IT project support; the following table provides the detail for the positions:

Table 8-3 – Ongoing Staff Breakdown

Ongoing		Staffing Needs	BY FY 2015/2016		BY+1 FY 2016/2017	
			PYs	Staff Costs	PYs	Staff Costs
New	BA/EA	Staff Info Syst Analyst			0.00	\$0
New	PMO	Staff Info Syst Analyst			0.00	\$0
New	IRIS	Staff Programmer Analyst			0.00	\$0
New	EISU	Staff Info Syst Analyst			2.00	\$147,096
New	ACMS	Staff Programmer Analyst			0.00	\$0
		Total Positions & Salaries			2.00	\$147,096
		Benefits				\$93,455
		Temp Help			0.8	\$58,440
		TOTAL Personnel Services			2.80	\$298,991

Two permanent IT positions are required to continue in in SFY 2016/2017 to support the ongoing work to build the MTS solution, and start the knowledge management and transition from the IT contractors. This will allow TSD to take over all responsibilities and contractors released from their consulting services contracts.

Telecommunication Costs:

Ongoing telecommunications costs of \$1,600 will be incurred monthly phone service charges, and ongoing CALnet/Internet.

Data Center Services:

Continuing Data center costs are estimated at \$61,6505 in SFY 2015/2016 and SFY 2016/2017 based on published rates at the Department of Technology Services for transactions costs, database server support, disk storage, and backup services.

Agency Facility Costs:

Ongoing costs of \$22,700 will be incurred for agency facility costs.

Other Costs:

Ongoing annual costs of \$9,720 will be incurred for operating expenses, including staff office automation, office supplies, training, utilities, and e-mail access.

Revenue Detail:

The prepaid MTS surcharge is expected to generate approximately \$41 million annually (\$5 million in new State and \$36 million in new Local Revenue). For FY 2015/2016 the revenue would be \$20,479.00 and for FY 2016/2017 it would be \$40,958.00

A further breakdown between direct and indirect sellers is as follows:

Direct Seller 56.29% (State 911 and CPUC chargers)	\$ 2,809,000
Direct Seller 56.29% (Local UUT)	\$20,425,000
Total revenue to be remitted by direct sellers	\$23,234,000
Indirect Seller 43.71% (State 911 and CPUC chargers)	\$ 2,181,000
Indirect Seller 43.71% (Local UUT)	\$15,543,000
Total revenue to be remitted by indirect sellers	\$17,724,000
Total new revenue	\$ 40,958,000*

Table 8-5 – Proposed Alternative

SIMM 20C, Rev. 06/2014

PROPOSED ALTERNATIVE: Modified Legacy System

Agency/state entity: Board of Equalization

Date Prepared: 3/19/15

Project: Mobile Telephony Services Surcharge

All Costs Should be shown in whole (unrounded) dollars.

	FY 2014/15		FY 2015/16		FY 2016/17		FY 2017/18		FY 2018/19		TOTAL	
	PYs	Amts	PYs	Amts	PYs	Amts	PYs	Amts	PYs	Amts	PYs	Amts
One-Time IT Project Costs												
Staff (Salaries & Benefits)	0.0	0	17.8	1,912,966	0.0	0	0.0	0	0.0	0	17.8	1,912,966
Hardware Purchase		0		0		0	0.0	0	0.0	0		0
Software Purchase/License		0		5,800		0		0		0		5,800
Telecommunications		0		8,750		0		0		0		8,750
Contract Services												
Software Customization		0		1,620,000		0		0		0		1,620,000
Project Management		0		0		0		0		0		0
Project Oversight (1)		0		113,000		0		0		0		113,000
IV&V Services		0		80,000		0		0		0		80,000
Other Contract Services		0		0		0		0		0		0
TOTAL Contract Services		0		1,813,000		0		0		0		1,813,000
Data Center Services		0		37,075		0		0		0		37,075
Agency Facilities		0		0		0		0		0		0
Other		0		111,798		0		0		0		111,798
Total One-time IT Costs	0.0	0	17.8	3,889,389	0.0	0	0.0	0	0.0	0	17.8	3,889,389
Continuing IT Project Costs												
Staff (Salaries & Benefits)	0.0	0	0.0	0	2.8	298,991	0.0	0	0.0	0	2.8	298,991
Hardware Lease/Maintenance		0		0		0		0		0		0
Software Maintenance/Licenses		0		0		0		0		0		0
Telecommunications		0		0		1,600		0		0		1,600
Contract Services		0		0		0		0		0		0
Data Center Services		0		37,075		61,650		0		0		98,725
Agency Facilities		0		79,450		22,700		0		0		102,150
Other		0		6,860		9,720		0		0		16,580
Total Continuing IT Costs	0.0	0	0.0	123,385	2.8	394,661	0.0	0	0.0	0	2.8	518,046
Total Project Costs	0.0	0	17.8	4,012,774	2.8	394,661	0.0	0	0.0	0	20.6	4,407,435
Continuing Existing Costs												
Information Technology Staff	0.0	0		0	0.0	0	0.0	0	0.0	0	0.0	0
Other IT Costs		0		0		0		0		0		0
Total Continuing Existing IT Costs	0.0	0	0.0	0	0.0	0	0.0	0	0.0	0	0.0	0
Program Staff	0.0	0	0.0	0	0.0	0	0.0	0	0.0	0	0.0	0
Other Program Costs		0		0		0		0		0		0
Total Continuing Existing Program Costs	0.0	0	0.0	0	0.0	0	0.0	0	0.0	0	0.0	0
Total Continuing Existing Costs	0.0	0	0.0	0	0.0	0	0.0	0	0.0	0	0.0	0
TOTAL ALTERNATIVE COSTS	0.0	0	17.8	4,012,774	2.8	394,661	0.0	0	0.0	0	20.6	4,407,435
INCREASED REVENUES		0		20,479,000		40,958,000		0	0.0	0		61,437,000

Revenue Detail:

Workload Measure	Projected Net Annual Revenue
Direct Seller: State	\$ 2,809,000
Direct Seller: Local	\$ 20,425,000
Indirect Seller: State	\$ 2,181,000
Indirect Seller: Local	\$ 15,543,000
Total Revenue	\$ 40,958,000

Note: (1) Includes a FTE Department of Technology oversight resource.

8.3 Economic Analysis Summary Worksheet

The worksheet shown in Table 8-6, Economic Analysis Summary summarizes existing system/baseline and proposed alternative costs.

Table 8-6 – Economic Analysis Summary

SIMM 20C, Rev. 06/2014

Agency/state entity: Board of Equalization

Project: Mobile Telephony Services Surcharge

ECONOMIC ANALYSIS SUMMARY

All costs to be shown in whole (unrounded) dollars.

Date Prepared: 3/19/15

	FY 2014/15		FY 2015/16		FY 2016/17		FY 2017/18		FY 2018/19		TOTAL	
	PYs	Amts	PYs	Amts	PYs	Amts	PYs	Amts	PYs	Amts	PYs	Amts
EXISTING SYSTEM												
Total IT Costs	0.0	0	0.0	0	0.0	0	0.0	0	0.0	0	0.0	0
Total Program Costs	0.0	0	0.0	0	0.0	0	0.0	0	0.0	0	0.0	0
Total Existing System Costs	0.0	0	0.0	0	0.0	0	0.0	0	0.0	0	0.0	0
PROPOSED ALTERNATIVE												
Total Project Costs	0.0	0	17.8	4,012,774	2.8	394,661	0.0	394,661	0.0	394,661	20.6	4,407,435
Total Cont. Exist. Costs	0.0	0	0.0	0	0.0	0	0.0	0	0.0	0	0.0	0
Total Alternative Costs	0.0	0	17.8	4,012,774	2.8	394,661	0.0	394,661	0.0	394,661	20.6	4,407,435
COST SAVINGS/AVOIDANCES	0.0	0	(17.8)	(4,012,774)	(2.8)	(394,661)	0.0	(394,661)	0.0	(394,661)	(20.6)	(4,407,435)
Increased Revenues		0		20,479,000		40,958,000		0		0		61,437,000
Net (Cost) or Benefit	0.0	0	(17.8)	16,466,226	(2.8)	40,563,339	0.0	(394,661)	0.0	(394,661)	(20.6)	57,029,565
Cum. Net (Cost) or Benefit	0.0	0	(17.8)	16,466,226	(20.6)	57,029,565	(20.6)	57,029,565	(20.6)	57,029,565		
ALTERNATIVE #1												
Total Project Costs	0.0	0	0.0	0	0.0	0	0.0	0	0.0	0	0.0	0
Total Cont. Exist. Costs	0.0	0	0.0	0	0.0	0	0.0	0	0.0	0	0.0	0
Total Alternative Costs	0.0	0	0.0	0	0.0	0	0.0	0	0.0	0	0.0	0
COST SAVINGS/AVOIDANCES	0.0	0	0.0	0	0.0	0	0.0	0	0.0	0	0.0	0
Increased Revenues		0		0		0		0		0		0
Net (Cost) or Benefit	0.0	0	0.0	0	0.0	0	0.0	0	0.0	0	0.0	0
Cum. Net (Cost) or Benefit	0.0	0	0.0	0	0.0	0	0.0	0	0.0	0	0.0	0
ALTERNATIVE #2												
Total Project Costs	0.0	0	0.0	0	0.0	0	0.0	0	0.0	0	0.0	0
Total Cont. Exist. Costs	0.0	0	0.0	0	0.0	0	0.0	0	0.0	0	0.0	0
Total Alternative Costs	0.0	0	0.0	0	0.0	0	0.0	0	0.0	0	0.0	0
COST SAVINGS/AVOIDANCES	0.0	0	0.0	0	0.0	0	0.0	0	0.0	0	0.0	0
Increased Revenues		0		0		0		0		0		0
Net (Cost) or Benefit	0.0	0	0.0	0	0.0	0	0.0	0	0.0	0	0.0	0
Cum. Net (Cost) or Benefit	0.0	0	0.0	0	0.0	0	0.0	0	0.0	0	0.0	0

8.4 Project Funding Plan Worksheet

The one-time and continuing funding for this project will be provided by annual augmentation from the prepaid MTS Surcharge Fund and Local MTS Surcharge Fund. Please reference Table 8-7 for the corresponding Economic Analysis Worksheet Project Funding Plan details.

Funding for FY 2015/2016:

Augmentation funding for MTS implementation is needed in the amount of \$2,934,000 of which \$833,940 will be spent for 7.8 PYs, while the remainder is for hardware and software purchases, vendor contracts and training.

Funding for FY 2016/2017:

BOE augmentation funding for MTS administration is needed in the amount of \$395,000 of which \$298,991 will be spent for 2.8 PYs to support the system, while the remainder is for hardware and software maintenance, and operating expenses to support the prepaid MTS surcharge program.

Table 8-7 – Project Funding Plan Details

SIMM 20C, Rev. 06/2014

PROJECT FUNDING PLAN

Agency/state entity: Board of Equalization

All Costs to be in whole (unrounded) dollars

Date Prepared: 3/19/15

Project: Mobile Telephony Services Surcharge

	FY 2014/15		FY 2015/16		FY 2016/17		FY 2017/18		FY 2018/19		TOTALS	
	PYs	Amts	PYs	Amts	PYs	Amts	PYs	Amts	PYs	Amts	PYs	Amts
TOTAL PROJECT COSTS	0.0	0	17.8	4,012,774	2.8	394,661	0.0	0	0.0	0	20.6	4,407,435
RESOURCES TO BE REDIRECTED												
Staff	0.0	0	10.0	1,079,026	0.0	0	0.0	0	0.0	0	10.0	1,079,026
Funds:												
Existing System		0		0		0		0		0		0
Other Fund Sources		0		0		0		0		0		0
TOTAL REDIRECTED RESOURCES	0.0	0	10.0	1,079,026	0.0	0	0.0	0	0.0	0	10.0	1,079,026
ADDITIONAL PROJECT FUNDING NEEDED												
One-Time Project Costs	0.0	0	7.8	2,810,363			0.0	0	0.0	0	7.8	2,810,363
Continuing Project Costs	0.0	0	0.0	123,385	2.8	394,661	0.0	0	0.0	0	2.8	518,046
TOTAL ADDITIONAL PROJECT FUNDS NEEDED BY FISCAL YEAR	0.0	0	7.8	2,933,748	2.8	394,661	0.0	0	0.0	0	10.6	3,328,409
TOTAL PROJECT FUNDING	0.0	0	17.8	4,012,774	2.8	394,661	0.0	0	0.0	0	20.6	4,407,435
Difference: Funding - Costs	0.0	0	0.0	0	0.0	0	0.0	0	0.0	0	0.0	0
Total Estimated Cost Savings	0.0	0	0.0	0	0.0	0	0.0	0	0.0	0	0.0	0
FUNDING SOURCE*												
General Fund (Redirection)	55%	-	15%	593,464	0%	-	0%	0	0%	0	13%	593,464
Federal Fund (Redirection)	0%	-	0%	-	0%	-	0%	0	0%	0	0%	-
Special Fund (BCP)	0%	-	73%	2,933,748	100%	394,661	100%	-	100%	-	76%	3,328,409
Special Fund (Redirection)	15%	-	4%	161,854	0%	-	0%	0	0%	0	4%	161,854
Reimbursement (Redirection)	30%	-	8%	323,708	0%	-	0%	0	0%	0	7%	323,708
TOTAL FUNDING	100%	-	100%	4,012,774	100%	394,661	100%	-	100%	-	100%	4,407,435

* Type: If applicable, for each funding source, beginning on row 29, describe what type of funding is included, such as local assistance or grant funding, the date the funding is to become available, and the duration of the funding.

SIMM 20C, Rev. 06/2014

ADJUSTMENTS, SAVINGS AND REVENUES WORKSHEET

Agency/state entity: Board of Equalization

Date Prepared: 3/19/15

Project: Mobile Telephony Services Surcharge

Annual Project Adjustments	FY 2014/15		FY 2015/16		FY 2016/17		FY 2017/18		FY 2018/19		Net Adjustments	
	PYs	Amts	PYs	Amts	PYs	Amts	PYs	Amts	PYs	Amts	PYs	Amts
One-time Costs												
Previous Year's Baseline	0.0	0	0.0	0	7.8	2,810,363	0.0	0	0.0	0		
(A) Annual Augmentation /(Reduction)	0.0	0	7.8	2,810,363	(7.8)	(2,810,363)	0.0	0	0.0	0		
(B) Total One-Time Budget Actions	0.0	0	7.8	2,810,363	0.0	0	0.0	0	0.0	0	7.8	2,810,363
Continuing Costs												
Previous Year's Baseline	0.0	0	0.0	0	0.0	123,385	2.8	394,661	0.0	0		
(C) Annual Augmentation /(Reduction)	0.0	0	0.0	123,385	2.8	271,276	(2.8)	(394,661)	0.0	0		
(D) Total Continuing Budget Actions	0.0	0	0.0	123,385	2.8	394,661	0.0	0	0.0	0	2.8	
Total Annual Project Budget Augmentation /(Reduction) [A + C]	0.0	0	7.8	2,933,748	(5.0)	(2,539,087)	(2.8)	(394,661)	0.0	0		

[A, C] Excludes Redirected Resources

10.6 2,810,363

Annual Savings/Revenue Adjustments

Cost Savings	0.0	0	0.0	0	0.0	0	0.0	0	0.0	0		
Increased Program Revenues		0		20,979,000		41,958,000		41,958,000		41,958,000		

9.0 Business Functional Requirements

Enterprise level functional requirements to implement the provisions of AB 1717 are listed below. These functions will satisfy the business objectives outlined in the Stage 1 Business Analysis attached.

Register Retail Sellers of Prepaid Mobile Telephony Services (MTS):

- Retail Sellers of prepaid MTS who have never registered with the BOE shall be identified when registering with the BOE using vetting questions that guide these new sellers through the electronic registration process.
- Retail Sellers of prepaid MTS with an existing sales and use tax registration with the BOE shall be identified using vetting questions that guide these existing sellers through the electronic registration update process.
- The system shall store tax/fee prepaid MTS payer registration applications to allow BOE staff to review and correct registrations as needed.
- The system shall store tax/fee prepaid MTS payer registration information in order to track and report the number of prepaid MTS registrations, update existing registrations, and administer consumer registrations with the BOE.

File Prepaid MTS Retail Seller Tax Return:

- All Retail Sellers of prepaid MTS shall file the tax/fee return using online services.
- All Retail Sellers of prepaid MTS shall file the tax/fee return at least quarterly.
- The Retail Seller tax/fee return shall report total prepaid MTS gross sales.
- The Retail Seller tax/fee return shall report total prepaid MTS surcharges.
- The Retail Seller tax/fee return shall report prepaid MTS gross sales adjustments.
- The Retail Seller tax/fee return shall report prepaid MTS surcharge adjustments.
- The Retail Seller tax/fee return shall report prepaid MTS surcharge exemptions.
- The Retail Seller tax/fee return shall report prepaid MTS surcharge penalty.
- The Retail Seller tax/fee return shall report prepaid MTS surcharge interest.
- The Retail Seller tax/fee return shall allow a 2% deduction in tax/fee due. The 2% shall be deducted from the total prepaid MTS surcharge and local UUT charges collected.
- The Retail Seller tax/fee return shall allocate prepaid MTS sales by the sales location(s) and/or the locations of service use.
- An EZ tax/fee return for Retail Sellers of prepaid MTS shall be provided for those retailers that qualify. This should be consistent with the current simplified sales and use tax return standards.
- A set of User Utility Tax (UUT) codes representing each local city and county in the state shall be created for the new Retail Seller tax/fee return.
- The Retail Seller tax/fee return shall have a schedule to report local city and county prepaid MTS UUT. This schedule shall list the name of the jurisdiction, the UUT code, the

applicable surcharge rate, and the surcharge amount.

- The Retail Seller tax/fee return local jurisdiction schedule shall report adjustments to the prepaid MTS UUT amount(s).

Register Direct Sellers of Prepaid Mobile Telephony Services (MTS):

- Direct Sellers of prepaid MTS who have never registered with the BOE shall be identified when registering with the BOE using vetting questions that guide these new sellers through the electronic registration process

Collect and account for the Emergency Telephone Users Surcharge (ETUS) required from Direct Sellers and Retail Sellers of MTS to support the statewide 911 telephone system:

- All Direct Sellers of prepaid MTS shall be able to file the Emergency Telephone Users Surcharge Return and report prepaid MTS 911 surcharges using online services.
- Direct Sellers of prepaid MTS shall file the Emergency Telephone Users Surcharge Return at least monthly.
- The ETUS return shall report the new prepaid MTS surcharge and the applicable ETUS surcharge rate and distinguish the new surcharge from existing surcharge.
- The system shall distinguish Direct Seller ETUS from the new prepaid MTS 911 surcharge by segregating the fund accounting process and general ledger to account for this new tax/fee.
- The BOE shall post on its public Internet website a notification of whether the amount collected for the prepaid MTS 911 surcharge portion in a state fiscal year exceeds or is less than \$9.9 million along with the underlying calculations, assumptions, and methodology.
- If the prepaid MTS 911 Account is underfunded in a state fiscal year, then the system shall include the functionality to bill each Direct Seller its pro rata share of that deficiency.

Compliance Requirements for the Collection of all Prepaid MTS Surcharges:

- The system shall bill Retail Sellers for failure to pay prepaid MTS surcharges due on their prepaid MTS surcharge tax/fee return.
- The system shall issue a prepaid MTS surcharge billing notice to Retail Sellers
- The system shall create a delinquency when a Retail Seller fails to file their prepaid MTS surcharge tax/fee return.
- The system shall issue a prepaid MTS surcharge delinquency notice to Retail Sellers.

Reporting Requirements for the Collection of all Prepaid MTS Surcharges:

- The system shall calculate and publish the prepaid MTS surcharge rate annually by combining the prepaid MTS CPUC surcharges, the prepaid MTS 911 surcharge, and the prepaid MTS local surcharges. The combined rate shall be calculated no later than November 1st of each year commencing in 2015.
- The BOE shall post on the BOE public Internet website the list of CPUC End-User Surcharges rates, the ETUS rate, and all Local UUT rates.
- The system shall produce management reports for prepaid MTS surcharge program

administration and activity tracking.

The system shall produce a report to the State Legislature that shows for calendar year 2016:

- Actual prepaid MTS surcharge revenues collected.
- Number of sellers remitting the prepaid MTS surcharge and local charges.
- Number of seller locations remitting the prepaid MTS surcharge and local charges.
- BOE's actual costs to implement the MTS Act and Local Act.
- Revised estimate for 2017 to 2019 calendar years of annual prepaid MTS surcharge and local charge revenues to be collected by BOE and the BOE's annual implementation costs.

Collect Prepaid MTS California Public Utility Commission (CPUC) surcharges from Retail Sellers:

- The system shall provide Retail Sellers the ability to make electronic prepaid MTS CPUC surcharge payments.
- The system shall offer the following methods of payment for prepaid MTS CPUC surcharges: Electronic Funds Transfer (EFT), Automated Clearing House (ACH) Debit, and online Credit Card.
- Payment vouchers shall be redesigned to include the new prepaid MTS CPUC surcharges.
- The system shall allow the application of payments by the Retail Seller for prepaid MTS CPUC surcharges.
- The system shall deposit Retail Seller prepaid MTS CPUC surcharge revenue into the Prepaid Mobile Telephony Services Surcharge Fund (MTS Surcharge Fund). The prepaid MTS CPUC surcharge portion of the MTS Surcharge Fund shall be allocated to the state treasury Prepaid MTS PUC Account.
- The fund accounting system shall account for prepaid MTS CPUC surcharges, interest, and penalties; less refunds and reimbursement to the BOE for administration and collections expenses.
- The system shall refund to the Retail Seller overpaid prepaid MTS CPUC surcharges.

Collect Prepaid MTS Local City and County User Utility Tax (UUT) from Retail Sellers:

- The system shall provide Retail Sellers the ability to make electronic prepaid MTS UUT payments.
- The system shall allow annual rate adjustments for each local jurisdiction prepaid MTS UUT.
- The system shall offer the following methods of payment for prepaid MTS UUT: Electronic Funds Transfer (EFT), Automated Clearing House (ACH) Debit, and online Credit Card.
- Payment vouchers shall be redesigned to include the new prepaid MTS UUT.
- The system shall allow the application of payments by the Retail Seller for prepaid MTS UUT.
- The system shall deposit Retail Seller prepaid MTS UUT payments into the state treasury Local Charges for Prepaid Mobile Telephony Services Fund.

- The fund accounting system shall account for prepaid MTS UUT surcharges, interest, and penalties; less refunds and reimbursement to the BOE for administration and collections expenses.
- The system shall allocate the prepaid MTS UUT to each of the approximately 150 city and county local jurisdictions in order to transmit the funds to each local jurisdiction at least quarterly through the State Controller's Office (SCO).
- The system shall create a schedule showing each prepaid MTS UUT for each local jurisdiction. This schedule shall be sent to the SCO in order to pay warrants to each local jurisdiction for their UUT collected.

Collect Prepaid MTS 911 Surcharge from Direct and Retail Sellers:

- The system shall provide the Direct and Retail Sellers the ability to make electronic prepaid MTS 911 surcharge payments.
- The system shall offer the following methods of payment for prepaid MTS 911 surcharges: Electronic Funds Transfer (EFT), Automated Clearing House (ACH) Debit, and online Credit Card.
- Payment vouchers shall be redesigned to include the new prepaid MTS 911 surcharge.
- The system shall allow the application of payments for prepaid MTS 911 surcharge made by Direct and Retail Sellers.
- The system shall deposit Retail Seller prepaid MTS 911 surcharge revenue into the Prepaid Mobile Telephony Services Surcharge Fund (MTS Surcharge Fund). The system shall deposit Direct Seller prepaid MTS 911 surcharge revenue into the State Emergency Telephone Number Account . The prepaid MTS 911 surcharge portion of the MTS Surcharge Fund shall be allocated to the state treasury Prepaid MTS 911 Account.
- The fund accounting system shall account for prepaid MTS 911 surcharges, interest, and penalties; less refunds and reimbursement to the BOE for administration and collections expenses.
- The system shall refund to the Direct and Retail Seller overpaid prepaid MTS 911 surcharges.

Appendix A - Stage 1 Business Analysis



Stage 1 Business Analysis

General Information

Agency or State Entity Name:

Board of Equalization, State

Organization Code:

0860

Name of Proposal:

Assembly Bill 1717 Prepaid Mobile Telephony Services Surcharge

Proposed Start Date:

January, 2015

Department of Technology Project Number:

0860-097

Submittal Information

Submission Date:

10/10/2014

Contact First Name:

Margarita

Contact Last Name:

Haro

Contact email:

Margarita.Haro@boe.ca.gov

Contact Phone:

(916) 324-6009

Business Sponsor and Key Stakeholders

Executive Sponsors

Title	First Name	Last Name	Business Program Area
Deputy Director	Jeff	McGuire	Sales & Use Tax Department

Business Owners

Title	First Name	Last Name	Business Program Area
Chief	Susanne	Buehler	Sales & Use Tax Department
CEA	Lynn	Bartolo	Property & Special Taxes Department

Key Stakeholders

Title	First Name	Last Name	Business Program Area/Group	External
Chief Information Officer	Brenda	Fleming	Technology Services Department	<input type="checkbox"/>
Chief	Susanne	Buehler	Sales & Use Tax Department	<input type="checkbox"/>
Accounting Administrator II	Ester	Cabrera	Administration Dept./Revenue Section	<input type="checkbox"/>
Business Taxes Administrator III	Richard	Parrott	Property & Special Taxes Department	<input type="checkbox"/>
Director	Mark	Ghilarducci	Office of Emergency Services	<input type="checkbox"/>

Director	Ryan	Dulin	Communications Division	<input type="checkbox"/>
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Business Analysis

1.1 Business Drivers

Financial Benefit:	<input checked="" type="checkbox"/> Increased Revenues
	<input type="checkbox"/> Cost Savings
	<input type="checkbox"/> Cost Avoidance
Mandate(s):	<input checked="" type="checkbox"/> State
	<input type="checkbox"/> Federal
Improvement:	<input checked="" type="checkbox"/> Better services to citizens
	<input type="checkbox"/> Efficiencies to program operations
	<input type="checkbox"/> Technology refresh

1.2 Statutes or Legislation

Statutes or Legislation:	<input checked="" type="checkbox"/> New statutes or potential legislation	<input type="checkbox"/> Not Applicable
	<input type="checkbox"/> Changes to existing legislation	
Bill Number:	AB 1717 (Chapter 885, Statutes 2014)	
Legal Code:	Revenue & Taxation Code 41020, 41030, 41033, 42001 Div. 2 Part 21 and 21.1	
Additional Information:	This bill requires each prepaid mobile telephony services customer to pay a surcharge to be collected by a seller on each retail transaction.	

1.3 Program Background and Context

The Board of Equalization (BOE) Sales and Use Tax Department (SUTD) is responsible for administering California's state, local, and district sales and use tax programs, which include taxes on retail sales transactions. Retail Sellers are required to collect the new mobile telephony services (MTS) surcharge on each retail transaction for prepaid MTS and submit the fees to SUTD.

Property and Special Taxes Department (PSTD) is responsible for collecting the Emergency Telephone Users Surcharge (ETUS) from the telephone utility companies, which are classified as Direct Sellers by AB 1717. PSTD collects this 911 surcharge on behalf of the Office of Emergency Services (OES). PSTD will be responsible to calculate the amount collected for the new prepaid MTS 911 surcharge.

The Administration Department Revenue Section is responsible for all BOE fund accounting. Three new accounts are being created by the State Treasury for the new prepaid MTS surcharges that Revenue Section will administer. User Utility Tax (UUT) for prepaid MTS will be accounted for by Revenue Section so it can be allocated to approximately 150 city and county local jurisdictions.

The Office of Emergency Services (OES) is responsible for the administration of the statewide 911 emergency telephone system, which is paid for by the ETUS collected by BOE. The OES determines the surcharge rate on an annual basis.

The California Public Utility Commission (CPUC) collects surcharges that fund six mandated public-purpose telecommunication programs: Universal LifeLine Telephone Service (ULTS), Deaf and Disabled Telecommunications Program (DDTP), California High Cost Fund-A (CHCF-A), California High Cost Fund-B (CHCF-B), California Teleconnect Fund (CTF), and California Advanced Services Fund (CASF).

1.4 Business Problem or Opportunity Summary

According to CTIA The Wireless Association, prepaid wireless service has grown to nearly 25% of the wireless market. However, there is no system to collect the same taxes and fees from prepaid customers that other wireless customers pay on their monthly bill. State and local governments are missing this uncollected revenue.

AB 1717 was passed by the legislature and signed into law in September 2014 to address this problem. The bill ensures that there is a retail point-of-sale collection method for existing prepaid wireless taxes and fees, which currently go uncollected. This bill ensures stable funding for the OES state 911 emergency telephone system and state, city and county telephone service programs.

This new law goes into effect on January 1, 2016. Collections from this bill are needed to continue adequately funding essential telephone service programs. Therefore, timely implementation by SUTD and PSTD is essential to ensure the funds continue being collected uninterrupted. Otherwise, these telephone service programs will be in danger of being underfunded and not able to operate as the people of California and the legislature intended.

CPUC prepaid MTS surcharges fund Universal Lifeline Telephone Service, the Deaf and Disabled Telecommunications Program, subsidies for rural telephone utilities, subsidies for telephone utilities in high-cost areas, discounts for schools and community organizations, and subsidies for telephone utilities to fund unserved or underserved areas with broadband service.

AB 1717 includes the Prepaid Mobile Telephony Services Collection Act and the Local Prepaid Mobile Telephony Services Collection Act (Prepaid MTS Collection Acts), which the BOE will be responsible to administer. BOE will now be responsible to collect CPUC, BOE and local telephone surcharges from Retail Sellers. Retail Sellers of prepaid telephony services must register and file tax returns with the BOE on a quarterly basis. It is estimated that 80,000 Retail Sellers of MTS will need to register with the BOE.

Although the Sales and Use Tax Department (SUTD) will be primarily responsible for administering this new tax program, all functions of tax administration at the BOE will be impacted. Property and Special Taxes Department (PSTD) will be responsible to ensure the telephone utility companies correctly report both prepaid and postpaid MTS 911 surcharges. Fund accounting at BOE must change how money is accounted for and deposited in order to accurately book the new prepaid MTS surcharges. Revenue Section must distribute the prepaid MTS surcharges collected from Retail Sellers to the CPUC, the OES, and the local cities and counties.

Technology Services Department (TSD) will be required to make significant changes to the information technology systems that support tax administration and collection. Online registration, the mainframe Integrated Revenue Information System (IRIS) for processing tax returns and payments, collection activity, audits, and distribution of collected revenue to the new state treasury funds will all require changes to the information technology and automation that supports these critical business functions.

1.5 Business Problems or Opportunities and Objectives Table

ID Problems and Opportunities

1 As of January 1, 2016 all Retail Sellers of prepaid MTS must register with the BOE in order to comply with AB 1717. This includes retailers who already have an existing seller's permit and those that have never had a seller's permit.

ID Objective

1 Register all Retail Sellers of prepaid MTS.

Metric	Baseline	Target	Measurement Method
Number of new MTS Retail Seller registrations in a State FY	Estimated 80,000 new Retail Seller registrations	Reconcile estimate with actual new Retail Seller registrations	Track and total Retail Seller MTS registrations beginning in state fiscal year 2015 to 2016

2 Retail Sellers of mobile telephony services (MTS) must report the new prepaid MTS surcharges on a new or revised sales and use tax return. The prepaid MTS surcharge tax return schedule must be revised yearly because the surcharge rate is subject to change annually. Local UUT must be reported by Retail Sellers on the BOE sales and use tax return.

ID Objective

2 Create the new or revised sales and use tax return required to file beginning with the first quarter 2016.

Metric	Baseline	Target	Measurement Method
Number of MTS Retail Seller returns in a reporting period	Current number equals 0 because this is a new tax program	Number of MTS Retail Seller returns for each calendar quarter	Track and total the number of MTS Retail Seller returns beginning first quarter 2016

▾ Add Objective

ID Problems and Opportunities

3 Currently, PSTD collects the ETUS (911) from Direct Sellers (telephone utility companies) under existing law. AB 1717 requires PSTD to collect ETUS from Direct Sellers and SUTD to collect ETUS from Retail Sellers. Direct Sellers will be responsible to report both prepaid and postpaid MTS 911 surcharge. Retail Sellers will be responsible to report prepaid MTS 911 surcharge. AB 1717 requires the prepaid MTS 911 Account to be adequately funded to support the OES state 911 emergency telephone system.

ID Objective

3 Establish the 911 fund accounting necessary to determine if the AB 1717 requirement of \$9.9 million annually for prepaid MTS 911 surcharge has been met and bill all California telephone utility companies (Direct Sellers) their pro rata share of any shortfall in the prepaid MTS 911 Account for a state fiscal year.

Metric	Baseline	Target	Measurement Method
State Fiscal Year Prepaid MTS 911 Surcharge Amount Total	\$9.9 Million Prepaid MTS 911 Surcharge Annual Total	Prepaid MTS 911 Surcharge Total must be at least \$9.9 Million in a State FY	State FY Prepaid MTS 911 Fund Revenue Accounting beginning July 1, 2016

▾ Add Objective

ID Problems and Opportunities

4 Currently, CPUC surcharges are paid directly to the CPUC by the telephone utilities (Direct Sellers). This will continue under AB 1717 for Direct Sellers. However, AB 1717 requires approximately 80,000 Retail Sellers to pay prepaid MTS CPUC surcharges to the BOE.

ID Objective

4 Collect all prepaid MTS CPUC surcharges from Retail Sellers and deposit the CPUC surcharges in the Prepaid MTS PUC Account set up by the State Treasury starting in the first quarter 2016.

Metric	Baseline	Target	Measurement Method
State Fiscal Year Prepaid MTS CPUC Surcharges Collected by BOE	\$36.5 million Prepaid MTS CPUC surcharges annual revenue under the old MTS law	\$4.3 million Prepaid MTS CPUC surcharges annual new revenue gain out of the projected \$40.8 million AB 1717 annual Prepaid MTS CPUC surcharges revenue	Track Prepaid MTS CPUC surcharges collected to verify new revenue beginning with state FY 2015 to 2016

5 Prepaid MTS User Utility Tax (UUT) from Retail Sellers for local city and county jurisdictions must be included on the new or revised sales and use tax return filed with the BOE. The UUT must be paid to the BOE. An estimated 150 local jurisdictions impose MTS surcharges and have collected these surcharges prior to AB 1717.

ID Objective

5 Collect prepaid MTS local UUT from Retail Sellers and deposit the local UUT surcharges into the Local Charges for Prepaid Mobile Telephony Services Fund for allocation to the various local jurisdictions throughout California starting in the first quarter 2016.

Metric	Baseline	Target	Measurement Method
State Fiscal Year Prepaid MTS Local UUT Allocation Collected by BOE from Prepaid MTS Retail Sellers	\$36 million UUT annual revenue under the old Prepaid MTS Local jurisdiction laws.	\$36 million UUT annual new revenue gain out of the projected \$72 million AB 1717 annual Prepaid MTS Local jurisdiction revenue	Track Prepaid MTS Local UUT dollars collected in the new Local UUT Fund to verify new revenue beginning with state FY 2015 to 2016

ID Problems and Opportunities

6 Prepaid MTS 911 Surcharge must be collected by BOE from both Direct Sellers and Retail Sellers of MTS and put in the 911 fund.

ID Objective

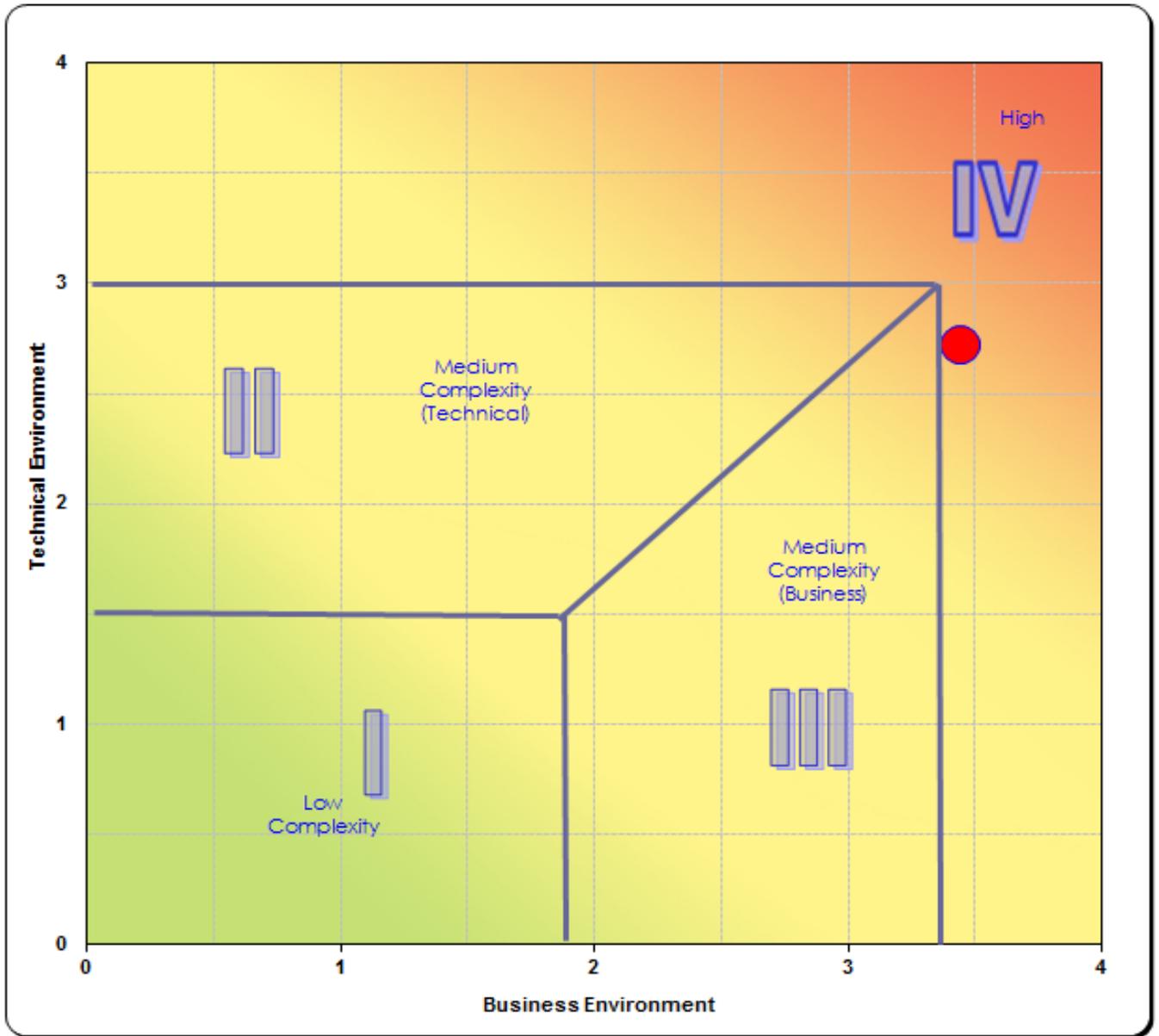
6 Collect prepaid MTS 911 surcharge from Direct and Retail Sellers starting in the first quarter 2016 and deposit in the Prepaid MTS 911 Account set up by the State Treasury.

Metric	Baseline	Target	Measurement Method
State Fiscal Year Prepaid MTS 911 Surcharge Collected by BOE	\$9.9 million Prepaid MTS 911 Surcharge annual revenue under the old MTS law	\$1.2 million Prepaid MTS 911 Surcharge annual new revenue gain out of the projected \$11.1 million AB 1717 annual Prepaid MTS 911 Surcharge revenue	Track Prepaid MTS 911 Surcharge collected to verify new revenue beginning with state FY 2016 to 2017

1.6 Strategic Business Alignment

Strategic Business Goals	Alignment
<p>Strategic Plan Goal: Maximize Voluntary Compliance</p>	<p>SUTD and PSTD of the BOE will implement the new prepaid MTS tax program required by AB 1717 internally by creating a new registration and tax return while reaching out to the public and informing them of the changes so tax and fee payers can voluntarily comply with these new state requirements.</p>
<p>Strategic Plan Goal: Reduce the Tax Gap</p>	<p>SUTD will begin collecting prepaid MTS surcharges from Retail Sellers, which are currently unpaid. This will reduce the gap between taxes paid and taxes owed to the state.</p>
<p>Strategic Plan Goal: Partner with OES to Ensure Adequate Funding for the State Emergency Telephone System</p>	<p>SUTD and PSTD of the BOE will play a critical role in ensuring adequate funding for the State Emergency Telephone System, which supports all 911 emergency telephone access in the state.</p>
<p>Strategic Plan Goal: Partner with the CPUC to Ensure Adequate Funding for CPUC telephone service programs</p>	<p>SUTD of the BOE will play a critical role in ensuring that Retail Sellers of prepaid MTS pay their share of CPUC surcharges, which are needed to fund various consumer telephone service programs.</p>
<p>Strategic Plan Goal: Allocate Local Jurisdiction UUT Collected</p>	<p>AB 1717 makes the BOE responsible for collecting local prepaid MTS User Utility Tax (UUT) from Retail Sellers on behalf of approximately 150 cities and counties and allocating the taxes correctly to each jurisdiction.</p>
<p>Insert item</p> <p>Scorecard</p>	

Appendix B – Complexity Assessment



Scores	Business Complexity	3.4
	Technical Complexity	2.7

Appendix C – Requirements Traceability Matrix

Business Problem/Opportunity	Business Objective	Business Functional Requirements
<p>1. As of January 1, 2016 all Retail Sellers of prepaid MTS must register with the BOE in order to comply with AB1717. This includes retailers who already have an existing seller's permit and those that have never had a seller's permit.</p>	<p>1. Register all Retail Sellers of prepaid MTS.</p>	<p><u>Register Retail Sellers of Prepaid Mobile Telephony Services (MTS):</u></p> <ol style="list-style-type: none"> 1. Retail Sellers of prepaid mobile telephony services (MTS) who have never registered with the BOE shall be identified when registering with the BOE using vetting questions that guide these new sellers through the electronic registration process. 2. Retail Sellers of prepaid MTS with an existing sales and use tax registration with the BOE shall be identified using vetting questions that guide these existing sellers through the electronic registration update process. 3. The system shall store tax/fee prepaid MTS payer registration applications to allow BOE staff to review and correct registrations as needed. 4. The system shall store tax/fee prepaid MTS payer registration information in order to track and report the number of prepaid MTS registrations, update existing registrations, and administer consumer registrations with the BOE.
<p>2. Retail Sellers of prepaid mobile telephony services (MTS) must report the new prepaid MTS surcharges on new or revised sales and use tax return. The prepaid MTS surcharge tax return schedule must be revised yearly because the surcharge rate is subject to change annually. Local UUT must be reported by Retail Sellers on the BOE sales and use tax return.</p>	<p>2. Create the new or revised sales and use tax return required to file beginning with the first quarter 2016.</p>	<p><u>File Prepaid MTS Retail Seller Tax Return:</u></p> <ol style="list-style-type: none"> 5. All Retail Sellers of prepaid MTS shall file the tax/fee return using online services. 6. All Retail Sellers of prepaid MTS shall file the tax/fee return at least quarterly. 7. The Retail Seller tax/fee return shall report total prepaid MTS gross sales. 8. The Retail Seller tax/fee return shall report total prepaid MTS surcharges. 9. The Retail Seller tax/fee return shall report prepaid MTS gross sales adjustments. 10. The Retail Seller tax/fee return shall report prepaid MTS surcharge adjustments. 11. The Retail Seller tax/fee return shall report prepaid MTS surcharge exemptions. 12. The Retail Seller tax/fee return shall report prepaid MTS surcharge penalty. 13. The Retail Seller tax/fee return shall report prepaid MTS surcharge interest.

Business Problem/Opportunity	Business Objective	Business Functional Requirements
		<p>14. The Retail Seller tax/fee return shall allow a 2% deduction in tax/fee due. The 2% shall be deducted from the total prepaid MTS surcharge and local UUT charges collected.</p> <p>15. The Retail Seller tax/fee return shall allocate prepaid MTS sales by the sales location(s) and/or the locations of service use.</p> <p>16. An EZ tax/fee return for Retail Sellers of prepaid MTS shall be provided for those retailers that qualify. This should be consistent with the current simplified sales and use tax return standards.</p> <p>17. A set of User Utility Tax (UUT) codes representing each local city and county in the state shall be created for the new Retail Seller tax/fee return.</p> <p>18. The Retail Seller tax/fee return shall have a schedule to report local city and county prepaid MTS UUT. This schedule shall list the name of the jurisdiction, the UUT code, the applicable surcharge rate, and the surcharge amount.</p> <p>19. The Retail Seller tax/fee return local jurisdiction schedule shall report adjustments to the prepaid MTS UUT amount(s).</p>
<p>3. Currently, STFD collects the ETUS (911) from Direct Sellers (telephone utility companies) under existing law. AB1717 requires STFD to collect ETUS from Direct Sellers and SUTD to collect ETUS from Retail Sellers. Direct Sellers will be responsible to report both prepaid MTS surcharge and postpaid 911 surcharge. Retail Sellers will be responsible to report prepaid MTS 911 surcharge. AB 1717 requires the prepaid MTS</p>	<p>3. Establish the 911 fund accounting necessary to determine if the AB 1717 requirement of \$9.9 million annually for prepaid MTS 911 surcharge has been met.</p> <p>Bill all California telephone utility companies (Direct Sellers) their pro rata share of any</p>	<p><u>Collect and account for the Emergency Telephone Users Surcharge (ETUS) required from Direct Sellers and Retail Sellers of MTS to support the statewide 911 telephone system:</u></p> <p>21. All Direct Sellers of prepaid MTS shall be able to file the Emergency Telephone Users Surcharge Return and report prepaid MTS 911 surcharges using online services.</p> <p>22. Direct Sellers of prepaid MTS shall file the Emergency Telephone Users Surcharge Return at least quarterly.</p> <p>23. The ETUS return shall report the new prepaid MTS 911 surcharge and the applicable surcharge rate and distinguish the new surcharge from existing surcharges.</p> <p>24. The system shall distinguish Direct Seller postpaid 911 surcharge from the new prepaid MTS 911 surcharge by changing the fund accounting process and general ledger to account for this new tax/fee.</p> <p>25. The BOE shall post on its public Internet website a notification of whether the amount collected for the prepaid MTS 911 surcharge in a state fiscal year exceeds or is less than \$9.9 million along with the underlying calculations, assumptions, and methodology.</p> <p>26. If the prepaid MTS 911 Account is underfunded in a state fiscal year, then the system shall bill each Direct Seller its pro</p>

Business Problem/Opportunity	Business Objective	Business Functional Requirements
<p>911 Account to be adequately funded to support the OES state 911 emergency telephone system.</p>	<p>shortfall in the prepaid MTS 911 Account for a state fiscal year.</p>	<p>rata share of that deficiency.</p> <p><u>Compliance Requirements for the Collection of all Prepaid MTS Surcharges:</u></p> <p>27. The system shall bill Retail Sellers for failure to pay prepaid MTS surcharges due on their prepaid MTS surcharge tax/fee return.</p> <p>28. The system shall issue a prepaid MTS surcharge billing notice to Retail Sellers</p> <p>29. The system shall create a delinquency when a Retail Seller fails to file their prepaid MTS surcharge tax/fee return.</p> <p>30. The system shall issue a prepaid MTS surcharge delinquency notice to Retail Sellers.</p> <p>31. The system shall bill and create delinquencies for Direct Sellers for prepaid MTS 911 surcharge due.</p> <p><u>Reporting Requirements for the Collection of all Prepaid MTS Surcharges:</u></p> <p>32. The system shall calculate and publish the prepaid MTS surcharge rate annually by combining the prepaid MTS CPUC surcharges, the prepaid MTS 911 surcharge, and the prepaid MTS local surcharges. The combined rate shall be calculated no later than November 1st of each year commencing in 2015.</p> <p>33. The BOE shall post on the BOE public Internet website the list of CPUC End-User Surcharges rates, the ETUS rate, and all Local UUT rates.</p> <p>34. The system shall produce management reports for prepaid MTS surcharge program administration and activity tracking.</p> <p><u>The system shall produce a report to the State Legislature that shows for calendar year 2016:</u></p> <p>35. Actual prepaid MTS surcharge revenues collected.</p> <p>36. Number of sellers remitting the prepaid MTS surcharge and local charges.</p> <p>37. Number of seller locations remitting the prepaid MTS surcharge and local charges.</p> <p>38. BOE's actual costs to implement the MTS Act and Local Act.</p> <p>39. Revised estimate for 2017 to 2019 calendar years of annual prepaid MTS surcharge and local charge revenues to be</p>

Business Problem/Opportunity	Business Objective	Business Functional Requirements
<p>4. Currently, CPUC surcharges are paid directly to the CPUC by the telephone utilities (Direct Sellers). This will continue under AB 1717 for Direct Sellers. However, AB 1717 requires approximately 80,000 Retail Sellers to pay prepaid MTS CPUC surcharges to the BOE.</p>	<p>4. Collect all prepaid MTS CPUC surcharges from Retail Sellers and deposit the CPUC surcharges in the Prepaid MTS PUC Account set up by the State Treasury starting in the first quarter 2016.</p>	<p>collected by BOE and the BOE's annual implementation costs.</p> <p><u>Collect Prepaid MTS California Public Utility Commission (CPUC) surcharges from Retail Sellers:</u></p> <p>47. The system shall provide Retail Sellers the ability to make electronic prepaid MTS CPUC surcharge payments.</p> <p>48. The system shall offer the following methods of payment for prepaid MTS CPUC surcharges: Electronic Funds Transfer (EFT), Automated Clearing House (ACH) Debit, and online Credit Card.</p> <p>49. Payment vouchers shall be redesigned to include the new prepaid MTS CPUC surcharges.</p> <p>50. The system shall allow the application of payments by the Retail Seller for prepaid MTS CPUC surcharges.</p> <p>51. The system shall deposit Retail Seller prepaid MTS CPUC surcharge revenue into the Prepaid Mobile Telephony Services Surcharge Fund (MTS Surcharge Fund). The prepaid MTS CPUC surcharge portion of the MTS Surcharge Fund shall be allocated to the state treasury Prepaid MTS PUC Account.</p> <p>52. The fund accounting system shall account for prepaid MTS CPUC surcharges, interest, and penalties; less refunds and reimbursement to the BOE for administration and collections expenses.</p> <p>53. The system shall refund to the Retail Seller overpaid prepaid MTS CPUC surcharges.</p>
<p>5. Prepaid MTS User Utility Tax (UUT) from Retail Sellers for local city and county jurisdictions must be included on the new or revised sales and use tax return filed with the BOE. The UUT must be paid to the BOE. An estimated 150 local jurisdictions impose MTS surcharges and have collected these surcharges prior to AB 1717.</p>	<p>5. Collect prepaid MTS local UUT from Retail Sellers and deposit the local UUT surcharges into the Local Charges for Prepaid Mobile Telephony Services Fund for allocation to the various local jurisdictions</p>	<p><u>Collect Prepaid MTS Local City and County User Utility Tax (UUT) from Retail Sellers:</u></p> <p>54. The system shall provide Retail Sellers the ability to make electronic prepaid MTS UUT payments.</p> <p>55. The system shall allow annual rate adjustments for each local jurisdiction prepaid MTS UUT.</p> <p>56. The system shall offer the following methods of payment for prepaid MTS UUT: Electronic Funds Transfer (EFT), Automated Clearing House (ACH) Debit, and online Credit Card.</p> <p>57. Payment vouchers shall be redesigned to include the new prepaid MTS UUT.</p> <p>58. The system shall allow the application of payments by the Retail Seller for prepaid MTS UUT.</p> <p>59. The system shall deposit Retail Seller prepaid MTS UUT payments into the state treasury Local Charges for Prepaid Mobile Telephony Services Fund.</p>

Business Problem/Opportunity	Business Objective	Business Functional Requirements
	<p>throughout California starting in the first quarter 2016.</p>	<p>60. The fund accounting system shall account for prepaid MTS UUT surcharges, interest, and penalties; less refunds and reimbursement to the BOE for administration and collections expenses.</p> <p>61. The system shall allocate the prepaid MTS UUT to each of the approximately 150 city and county local jurisdictions in order to transmit the funds to each local jurisdiction at least quarterly through the State Controller’s Office (SCO).</p> <p>62. The system shall create a schedule showing each prepaid MTS UUT for each local jurisdiction. This schedule shall be sent to the SCO in order to pay warrants to each local jurisdiction for their UUT collected.</p>
<p>6. Prepaid MTS 911 Surcharge must be collected by BOE from both Direct Sellers and Retail Sellers of MTS and put in the 911 fund.</p>	<p>6. Collect prepaid MTS 911 surcharge from Direct and Retail Sellers starting in the first quarter 2016 and deposit in the Prepaid MTS 911 Account set up by the State Treasury.</p>	<p><u>Collect Prepaid MTS 911 Surcharge from Direct and Retail Sellers:</u></p> <p>63. The system shall provide the Direct and Retail Sellers the ability to make electronic prepaid MTS 911 surcharge payments.</p> <p>64. The system shall offer the following methods of payment for prepaid MTS 911 surcharges: Electronic Funds Transfer (EFT), Automated Clearing House (ACH) Debit, and online Credit Card.</p> <p>65. Payment vouchers shall be redesigned to include the new prepaid MTS 911 surcharge.</p> <p>66. The system shall allow the application of payments for prepaid MTS 911 surcharge made by Direct and Retail Sellers.</p> <p>67. The system shall deposit Retail Seller prepaid MTS 911 surcharge revenue into the Prepaid Mobile Telephony Services Surcharge Fund (MTS Surcharge Fund). The system shall deposit Direct Seller prepaid MTS 911 surcharge revenue into the State Emergency Telephone Number Account. The prepaid MTS 911 surcharge portion of the MTS Surcharge Fund shall be allocated to the state treasury Prepaid MTS 911 Account.</p> <p>68. The fund accounting system shall account for prepaid MTS 911 surcharges, interest, and penalties; less refunds and reimbursement to the BOE for administration and collections expenses.</p> <p>69. The system shall refund to the Direct and Retail Seller overpaid prepaid MTS 911 surcharges.</p>

APPENDIX D - Security Questionnaire

INFORMATION SECURITY OFFICER (ISO) ROLE AND RESPONSIBILITIES

1. What is the role and responsibilities of the Agency ISO in relationship to this project? The Information Security Officer of the Board of Equalization is responsible to ensure this system complies with the system security requirements of this entity, the State of California, and applicable federal regulations, standards and guidelines.
2. Will the ISO be involved in developing and reviewing the security requirements? Yes
3. Will the ISO be involved in developing and reviewing the security testing efforts? Yes
4. Has the ISO participated in the response to these questions and signed off on the project-related document(s)? Yes

3.0 PROPOSED SYSTEM

1. Who will be the designated owner of the proposed system (system)? Sales and Use Tax Department of the Board of Equalization
2. Who will be the custodians and users of the system? Sales and Use Tax Department of the Board of Equalization
3. Has the data for the system been classified by the owner? Explain. As this system is currently used to administer other tax programs, it has been classified according to SAM 5305
4. Does the project require development of new application code or modification of existing code? Explain. The BOE proposes modifying existing online services and its legacy mainframe Integrated Revenue Information System (IRIS) and its subsystems to allow approximately 80,000 Indirect Sellers (prepaid wireless retailers) and approximately 40 Direct Sellers (wireless telephone utility service providers) of prepaid mobile telephony services to register, file returns, and pay tax with the BOE
5. Will your Agency/state entity share the data for the system with other entities? If so, who? The BOE is required to periodically allocate local sales tax funds collected on behalf of cities and counties; however this system will not utilize data sharing for this program.
6. If data for the system is to be shared with other entities, will your Agency/state entity implement data exchange agreements with the entities? Explain. N/A
7. Are there checkpoints throughout the software development life cycle (SDLC) verifying and certifying that the security requirements are being met? Yes, the review and approval security requirements is included in each phase in the SDLC.
8. At what points will risk assessments be performed throughout the SDLC? The risk management plan and risk register will be updated and completed throughout the lifecycle of the project.
9. At what point will vulnerability assessments be performed once the system is put into production (e.g., ongoing risk management after implementation)? All BOE systems are subject to vulnerability assessment on an annual basis.

10. Will this system collect federal data? If so, have you yet determined the National Institute for Standards and Technology 800-53 rating (i.e., high / medium / low)? This system (IRIS) has already been classified due to other tax collections programs in use as NIST 800-53 Medium.
11. Does your Agency/state entity's IT Capital Plan address information security and privacy as related to this system? Yes.