

STATE OF CALIFORNIA
Budget Change Proposal - Cover Sheet
DF-46 (REV 08/16)

STATE BOARD OF EQUALIZATION



BOARD APPROVED

At the October 25, 2016 Board Meeting

Joann Richmond

Joann Richmond, Chief
Board Proceedings Division

Priority No.
1

Fiscal Year 2017-18	Business Unit 0860	Department State Board of Equalization
Budget Request Name 0860-001-BCP-2017-GB		Program ALL
		Subprogram

Budget Request Description
Centralized Revenue Opportunity System (CROS) Project Implementation Phase – FY 17/18 through FY 21/22

Budget Request Summary

The Board of Equalization (BOE) requests the following resources to ensure that the Centralized Revenue Opportunity System (CROS) Project has the resources required to continue the Implementation Phase:

- \$31.4 million and 68.8 positions (29.0 positions and 39.8 temporary help) in Fiscal Year (FY) 2017-18,
- \$52.0 million and 68.9 positions (29.0 positions and 39.9 temporary help) in FY 2018-19,
- \$67.5 million and 62.5 positions (29.0 positions and 33.5 temporary help) in FY 2019-20,
- \$17.4 million and 44.8 positions (29.0 positions and 15.8 temporary help) in FY 2020-21, and
- \$19.3 million and 41.0 positions (29.0 positions and 12.0 temporary help) in FY 2021-22.

The CROS Project (Feasibility Study Report Project 0860-094) is an information technology modernization effort designed to expand tax and fee payer services, improve the efficiency and effectiveness of the BOE's operations, and enhance its ability to generate increased revenues reducing the tax gap.

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 No	Code Section(s) to be Added/Amended/Repealed	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

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

Project No. 0860-094 Project Approval Document: Approval Date: 09/07/11

If proposal affects another department, does other department concur with proposal? ☐ Yes ☐ No
Attach comments of affected department, signed and dated by the department director or designee.

Budget Officer	Date	Chief, Business Management Division	Date
Deputy Director, Administration	Date	Executive Director	Date

Department of Finance Use Only

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

BCP Type: ☐ Policy ☐ Workload Budget per Government Code 13308.05

PPBA Date submitted to the Legislature

Analysis of Problem

A. Budget Request Summary

The Board of Equalization (BOE) requests the following resources to ensure that the Centralized Revenue Opportunity System (CROS) Project has the resources required to continue Implementation Phase:

- \$31.4 million and 68.8 positions (29.0 positions and 39.8 temporary help) in Fiscal Year (FY) 2017-18,
- \$52.0 million and 68.9 positions (29.0 positions and 39.9 temporary help) in FY 2018-19,
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- \$17.4 million and 44.8 positions (29.0 positions and 15.8 temporary help) in FY 2020-21, and
- \$19.3 million and 41.0 positions (29.0 positions and 12.0 temporary help) in FY 2021-22.

This request includes a continuation of 24.0 permanent positions authorized for FY 2016-17 only.

The CROS Project (Feasibility Study Report Project 0860-094) is an information technology modernization effort designed to expand tax and fee payer services, improve the efficiency and effectiveness of the BOE's operations, and enhance its ability to generate increased revenues reducing the tax gap.

B. Background

Directed by five Board Members, the BOE administers more than 30 tax and fee programs that generate revenue essential to the State of California. The programs include California's sales and use tax, fuel, alcohol, tobacco, transportation, environmental, excise tax, as well as other special taxes and fees. Over one million discrete businesses currently interact annually with the BOE, many involved with multiple tax and fee programs.

The CROS Project's objective is to establish a responsive and effective tax and fee payer centric system through the following activities:

- Replacing legacy mainframe-based revenue and collection information systems with an integrated and automated tax and fee system
- Providing an enterprise data warehouse
- Enhancing on-line services to tax and fee payers and other stakeholders
- Improving case and contact management
- Reengineering and improving program processes;
- Improving data sharing capability and real-time data access, especially to field staff
- Enhancing the BOE's capability to quickly implement legislative, judicial, or electoral changes to tax/revenue codes

The Project Scope includes:

- Integrating registration, reporting obligations, cashiering, refunds, collection, audit, and appeal functions for all sales and use and special tax and fee programs, timber tax functional areas into the CROS Solution;
- Replacing the Integrated Revenue Information System (IRIS), and Automated Compliance Management System (ACMS), as well as Timber Tax legacy systems; and
- Integrating enterprise software including Avaya (call center) and Documentum (enterprise content management) software.

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CROS Project Progress to Date:

The Feasibility Study Report (FSR), approved September 2011 redirected the BOE's resources to the CROS Project to proceed with the Procurement Phase.

The CROS Project submitted a Special Project Report (SPR) (March 2012) and Spring Finance Letter #1 (SFL) for FY 2012-13 to fund the project.

Based on the approved SPR (Project 0860-094), the FY 2012-13 SFL #1 authorized staffing and funding specifically for the CROS Project's Procurement Phase and Parallel Initiatives as well as for resources needed to address audit, collection, and registration backlogs.

The CROS Project submitted SPR #2 in December 2013 which addressed a nine month change in the Procurement schedule and extended the implementation approach by one year as a result of feedback received from bidders in response to the CROS Request For Information.

The CROS Project submitted SPR #3 to address a 19 month delay in the Procurement Phase to ensure the project has resources to start the Implementation Phase.

Based on SPR #3, the BOE submitted a FY 2016-17 May Revise Finance Letter that requested \$17.5 million and authority for 44.6 positions (24.0 positions and 20.6 temporary help resources) to provide resources to begin its Implementation Phase. Although this May Revise letter requested funding and position authority for subsequent years, the Legislature only authorized funding and position authority for FY 2016-17. The BOE was directed to submit a budget augmentation request for subsequent years funding and position authority after selection of the CROS contractor.

At the August 30, 2016 Board Meeting, the BOE approved selection of the CROS Contractor (Fast Enterprises, Inc.) as the contractor that is responsible for implementing the CROS Solution. The CROS Solution will use GenTax, an integrated and automated solution that will use up-to-date tax collection, storage, account management, and data retrieval technologies to maximize the effectiveness of BOE's operations and staff. The CROS Project also performed analysis of resources necessary to develop and implement the CROS Solution as documented in SPR #4, submitted October 28, 2016. Resource analysis included review of the Contractor's proposed schedule, Project deliverables, the BOE's Integrated Master Schedule, existing project management plans (including Governance Plans), as well as existing technical capabilities.

Resource History

CROS Core	FY 12 13	FY 13 14	FY 14 15	FY 15 16
Authorized Expenditures	\$5,902,000	\$9,628,000	\$9,926,000	\$8,090,000
Actual Expenditures	\$4,908,000	\$7,831,000	\$9,749,000	\$8,191,000
Revenue	\$0	\$0	\$0	\$0

CROS Auditor/Collector	FY 12 13	FY 13 14	FY 14 15	FY 15 16
Authorized Expenditures	\$9,301,000	\$20,472,000	\$20,174,000	\$22,010,000
Actual Expenditures	\$5,887,000	\$17,239,000	\$18,330,000	17,804,000
Revenue	\$38,745,000	\$70,400,000	\$113,700,000	\$66,529,000

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Revenue Generation

Revenues stated in SPR 4 from BOE Support Activities and Vendor Results

	FY 12 13 ^a	FY 13 14 ^a	FY 14 15 ^a	FY 15 16
CROS Revenue Increase	\$0	\$0	\$0	\$0
Support Effort	\$38,745,000	\$70,400,000	\$113,700,000	\$66,529,000
Total	\$38,745,000	\$70,400,000	\$113,700,000	\$66,529,000

^a 2012-13 through 2014-15 numbers represent actual revenues.

	FY 16 17	FY 17 18	FY 18 19	FY 19 20
CROS Revenue Increase	\$0	\$2,167,602	\$44,035,760	\$65,268,018
Support Effort	\$66,529,000	\$66,529,000	\$66,529,000	\$66,529,000
Total	\$66,529,000	\$68,696,602	\$110,564,760	\$131,797,018

	FY 20 21	FY 21 22	TOTAL
CROS Revenue Increase	\$68,265,366	\$73,936,456	\$253,673,202
Support Effort	\$66,529,000	\$66,529,000	\$688,548,000
Total	\$134,794,366	\$140,465,456	\$942,221,202

Procurement Phase

During the Procurement Phase, the CROS Project completed the following Deliverables:

- Developed the Business Rules Library (18,000 individual rules), forms inventory (3,165 forms), reports inventory (4,676 reports), As-Is Process inventory (1,368 processes), and Program Profile (summary of all BOE programs by taxable activity type).
- Created and automated the 10 Revenue Stream Reports, discovered/documentated over 250 data interfaces between the BOE and external agencies.
- Discovered 4,431 data quality issues that caused 35 million errors, cleansed over 28 million errors, and documented 29 systems, 1,740 tables, and 22,798 data fields.
- Developed/released a Request for Proposal (RFP) with 19 addendums.
- Created a Feasibility Study Report and three Special Project Reports.
- Created an Integrated Master Schedule (IMS) that encompasses the Procurement, Pre-Implementation, Implementation Readiness, and Implementation Phases.
- Conducted a gap analysis of the bidder's proposed schedule relative to the IMS; developed project management plans, including Governance Plans; reviewed 44 deliverables and discussed technical capabilities to plan for the BOE's readiness.

C. State Level Considerations

The BOE collects taxes, fees, and surcharges that provide over 30 percent of the annual revenue for State government and essential funding for counties, cities, and special taxing districts. In FY 2014-15, the BOE administered taxes and fees that produced \$60.45 billion for education, public safety, transportation, housing, health services, social services, and natural resource management. The BOE administers the State's sales and use, fuel, alcohol, tobacco, and other taxes and fees that fund specific programs. More than one million businesses are registered with the BOE.

The CROS Project is consistent with the BOE's Strategic Technology Plan: The 2020 Plan – Roadmap to the Future and advances the BOE's current Strategic Plan goals to:

- Implement and integrate state-of-the-art technologies
- Improve the taxpayer experience

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- Maximize voluntary compliance
- Enhance operational effectiveness

Successful development and implementation of the CROS Solution will significantly improve the BOE's ability to fulfil its mission to serve the public through fair, effective, and efficient administration of its tax and fee programs, as well as improve its ability to address the gap between the amount of taxes owed and the amount collected by the BOE.

D. Justification

The BOE requests the following to ensure that the Centralized Revenue Opportunity System (CROS) Project has the resources required for the Implementation Phase:

- \$31.4 million and 68.8 positions (29.0 permanent and 39.8 temporary help) in FY 2017-18,
- \$52.0 million and 68.9 positions (29.0 permanent and 39.9 temporary help) in FY 2018-19,
- \$67.5 million and 62.5 positions (29.0 permanent and 33.5 temporary help) in FY 2019-20,
- \$17.4 million and 44.8 positions (29.0 permanent and 15.8 temporary help) in FY 2020-21, and
- \$19.3 million and 41.0 positions (29.0 permanent and 12.0 temporary help) in FY 2021-22.

The resources required to support the Implementation Phase of the Project are derived from the roles and responsibilities of the BOE as defined in the RFP; the milestones, deliverables, and resource needs defined in the Integrated Master Schedule; the Contractor's schedule submitted in the proposal; and discussions between California Department of Technology, the CROS Contractor, and the BOE's program and technical management. Please see *Attachment 3 - Personal Services Summary by Functional Area* for more information.

Project resources are distributed among the following Functional Areas:

- Business Management
- Contract Management
- Organizational Change Management
- Technical Management
- Project Management

Each Functional Area is led by key staff on the CROS Project and includes Functional Teams that further define resource needs.

The Project will follow the System Development Life Cycle (SDLC) for each release. The deliverables, tasks, and work breakdown will be organized by SDLC in the Project Schedule, enabling Functional Teams to work together throughout each release to complete deliverables.

Please see *Attachment 1 - CROS Project Organizational Chart*, *Attachment 2- CROS Project Functional Area Chart*, and the Workload Tables below for more information.

Permanent Positions

The BOE requests the continuation of 19.0 of the 24.0 of the positions authorized for FY 16-17, as well as the addition of 10.0 positions in FY 17-18 and ongoing. These resources are needed to address the full-time Project roles.

With the CROS Contractor and Solution now known, the Project has reevaluated resource needs and determined that five permanent roles authorized for FY 16-17 would more appropriately requested in FY 17-18 as temporary help and overtime. Shifting five roles to temporary help and

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overtime provides resources for related roles while reducing the total number of permanent positions being requested.

The BOE requests the following permanent positions:

- \$2.6 million and 29.0 positions in FY 2017-18 and ongoing

Temporary Help

The BOE will use temporary help and overtime resources to provide program and technical areas with offsets for staff time, as existing BOE resources are redirected to CROS Project work. Existing BOE resources will be dedicated to the CROS Project to address specific skill and knowledge gaps, and act as subject matter experts (SMEs), deliverable reviewers, joint application design (JAD) team participants, trainers, and program liaisons.

The BOE requests the following temporary help resources:

- \$2.9 million for temporary help in FY 2017-18
- \$2.9 million for temporary help in FY 2018-19
- \$2.4 million for temporary help in FY 2019-20
- \$1.1 million for temporary help in FY 2020-21
- \$831,000 for temporary help in FY 2021-22

Overtime

Overtime resources will offset the use of existing BOE staff that will be redirected from their ongoing duties and responsibilities, to serve as SMEs, JAD team participants, trainers, and liaisons. Detailed Workload Justifications begin on page 15.

The BOE requests the following overtime:

- \$7.7 million for overtime in FY 2017-18
- \$5.7 million for overtime in FY 2018-19
- \$4.4 million for overtime in FY 2019-20
- \$1.4 million for overtime in FY 2020-21
- \$263,000 for overtime in FY 2021-22

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Positions by BCP Year

The following table represents all previously authorized permanent positions, temporary help and overtime, across all the Project roles, as well as overhead positions. It also includes permanent, temporary help and overtime requested for 2017-18.

CROS Positions by BCP Year											
BCP Year	Funding Type	12/13	13/14	14/15	15/16	16/17	17/18	18/19	19/20	20/21	21/22
2017-18	Permanent Positions						29.0	29.0	29.0	29.0	29.0
	Temporary Help						39.8	39.9	33.5	15.8	12.0
	Overtime ^{ad/}						80.8	61.3	47.1	14.6	3.1
2016-17	Permanent Positions ^{c/}					24.0					
	Temporary Help ^{c/}					20.6					
	Overtime ^{ac/}					22.8					
2012-13	Permanent Positions ^{b/}	62.0	62.0	62.0	62.0	62.0	62.0	62.0	62.0	62.0	62.0
	Temp Help ^{bd/}	0.5	3.1	2.6	2.6	2.6	2.6	2.6	2.6	2.6	2.6
	Overtime ^{abd/}	1.5	2.6	1.5	1.5	1.5	1.5	1.5	1.5	1.5	1.5
Total		64.0	66.6	66.1	66.1	133.5	215.7	196.3	175.7	125.5	110.2

a/ Position equivalency shown here for comparison purposes only; b/ Ongoing per BCP 12-13; c/ One year (FY 16-17) authority only; d/ Overhead only

Staff Benefits:

The BOE also requests staff benefits to the above positions, ranging from \$1.76 million to \$3.25 million annually.

Adjustments due to the Realignment of Previously Authorized Classifications

The BOE also requests continued funding related to the realignment of staff classifications previously authorized in the FY 12-13 proposal. Obtaining staff with the necessary knowledge, experience, and skills needed to ensure the success of the parallel initiatives required adjustments to the originally requested classification levels which, in turn, resulted, due to funding allocation constraints, in the need to keep approved positions vacant in order to remain within the approved budget for the CROS Project. See *Attachment 4 - Adjustments to Previously Authorized Classifications*.

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Adjustments due to Legislative Changes

The BOE requests a 15 percent adjustment for overtime and temporary help from resources previously planned. The BOE requires additional SME resources to support implementation of necessary changes associated with recently chaptered and pending legislation anticipated during the life of the Project. This adjustment will ensure SME availability during the Project for enacted and pending legislation known at this time. See table below.

Bill	Description	Effective
Chaptered		
AB 1559 - Tax Filing Deadline: Extension: Disasters	Tax filings and payments can be extended for up to three months in the event of a disaster.	09/09/2016
AB 2153 - Lead Acid Battery Fee	A \$1 fee is imposed on manufacturers and consumers of lead acid batteries.	04/01/2017
Pending		
Prop 56 - Cigarette Tax	The cigarette tax would be increased by \$2/pack.	04/01/2017
SBx1 1 - Fuel Excise Tax Increase (Transportation Funding)	Existing sales and use tax on gasoline and diesel fuel would be increased and rate adjustments would be modified.	07/01/2017
Prop 64 - Adult Use of Marijuana	This would legalize marijuana and impose a 15% excise tax and various sales taxes.	01/01/2018

Potential Revenue Impacts of Redirection

The BOE program resources to be redirected to the CROS Project include over 7.0 positions for audit and collection activities, and over 17.0 positions for revenue support functions. All of these positions are currently engaged in BOE revenue generation and revenue support activities.

Based on FY 2014-15 Sales and Use Tax Department productivity data, the cumulative impact of redirecting necessary audit and collection program resources to the CROS Project without providing these program areas with temporary help and overtime offsets to cover auditor and collections workload would result in an annual loss of approximately \$2.9 million in revenue for the BOE.

Also, without revenue support resources to cover existing support workload, program areas may be forced to redirect existing program area audit and collection resources to provide revenue support, further jeopardizing the BOE's ability to generate up to \$6.8 million in revenue annually.

Operating Expenses and Equipment (OE&E) Requests

The Project also requests the following OE&E resources:

- \$15.0 million for OE&E in FY 2017-18
- \$37.6 million for OE&E in FY 2018-19
- \$55.2 million for OE&E in FY 2019-20
- \$10.4 million for OE&E in FY 2020-21
- \$13.9 million for OE&E in FY 2021-22

Please see *Attachment 5 – Operating Expenses and Equipment Summary* for more information.

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Consultant resources are needed to provide expertise and support in the following areas:

- Document Management
- Independent Verification & Validation
- Legacy System, Data Conversion, and Programming
- Organizational Change Management
- Project Management
- Project Oversight
- Scheduling
- Service Management

Training resources are needed to provide technical training for staff to ensure they gain key skills in new technologies to support the Project.

In addition to the standard complement of communication, postage, supplies, etc., additional, hardware and software resources are needed to support the Project operations.

Provisional Language

The BOE also requests provisional language to provide the Director of Finance with authority to augment BOE funds available for the Contractor compensation (based on the approved benefits based compensation model) beyond the \$3 million requested in this proposal for 2017-18 and estimated amounts in subsequent years. Early payments are contractually mandated if the Contractor exceeds expected specific annual deliverables.

E. Outcomes and Accountability

The most significant outcome of the CROS Project is an increase in tax and fee revenues. CROS Project activities are projected to increase BOE revenues by the following amounts:

- \$68.7 million in FY 2017-18
- \$110.6 million in FY 2018-19
- \$131.8 million in FY 2019-20
- \$134.8 million in FY 2020-21
- \$140.5 million in FY 2021-22

Additional outcomes include improved services to tax and fee payers, improved operational efficiencies, improved revenue tracking from receipt through distribution, enhanced security, and greater ability to quickly respond to statutory, judicial, or electoral changes to tax and revenue code changes.

To ensure accountability and best practices, the Project reports directly to the Chief Information Officer (CIO) and has a governance structure that includes an Executive Sponsor from the Program. The Governance Plan defines how the BOE will make decisions and how risks and issues may be escalated for resolution.

The BOE retained the services of an independent Project Management consultant responsible for ensuring that project management activities, including schedule, costs, scope, and risk management, are properly planned and executed. Also, the BOE is using Independent Verification & Validation (IV&V) consultants to verify and validate CROS Project deliverables to ensure deliverables meet the system and program requirements and fulfill contractual obligations.

The Department of Technology will provide external oversight of the CROS Project's activities and management processes through both an onsite presence and through review and analysis of the

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CROS Project's monthly project reports to ensure that all applicable policies, rules, guidelines, and procedures are followed. The Department of Finance will provide fiscal oversight and monitor the compensation model.

The BOE continues to work with the Department of Finance to manage long-term vacancies and reduce vacancy rates. A comprehensive proposal to the Board and Legislature, in conjunction with current audits and facility planning, will provide a set of specific action items and control processes that will guide future position decisions, vacancy elimination, reclassifications, and program growth.

F. Analysis of All Feasible Alternatives

Alternative 1 - Provide funding and positions requested for FY 2017-18 through FY 2021-22.

Alternative 1 includes the following resource request:

- \$31.4 million and 68.8 positions (29.0 positions and 39.8 temporary help) in FY 2017-18,
- \$52.0 million and 68.9 positions (29.0 positions and 39.9 temporary help) in FY 2018-19,
- \$67.5 million and 62.5 positions (29.0 positions and 33.5 temporary help) in FY 2019-20,
- \$17.4 million and 44.8 positions (29.0 positions and 15.8 temporary help) in FY 2020-21, and
- \$19.3 million and 41.0 positions (29.0 positions and 12.0 temporary help) in FY 2021-22.

Pros:

- Ensures that funding fully meets the BOE's needs through the life of the project as well as the first year of maintenance and operations.
- CROS staff involvement will allow BOE to meet its contractual obligations.
- Ensures the BOE will meet the revenue objectives of the Project.
- New positions provide the skill sets lacking at the agency.
- Temporary help and overtime resources help to minimize the impact to existing revenue generation.

Cons:

- May require the BOE to adjust funding in later project years.
- Requires the largest budget augmentation.

Alternative 2 - Provide funding and all permanent positions requested, except redirect existing BOE staff in lieu of authorizing the majority of temporary help and overtime.

Alternative 2 includes the following resource request:

- \$19.0 million and 31.1 positions (29.0 positions and 2.1 temporary help) in FY 2017-18,
- \$42.0 million and 31.1 positions (29.0 positions and 2.1 temporary help) in FY 2018-19,
- \$59.2 million and 31.1 positions (29.0 positions and 2.1 temporary help) in FY 2019-20,
- \$14.4 million and 31.1 positions (29.0 positions and 2.1 temporary help) in FY 2020-21, and
- \$18.0 million and 31.1 positions (29.0 positions and 2.1 temporary help) in FY 2021-22.

Pros:

- Ensures that funding meets the BOE's needs through the life of the project as well as the first year of maintenance and operation.
- Reduces overall project costs.

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- New positions provide the skill sets lacking at the agency.

Cons:

- Current BOE staff is needed to continue revenue generating activities and may reduce those activities to provide support to the CROS Solution.
- Requires ongoing budget augmentations.

Alternative 3 - Provide funding for operating expenses and equipment as requested, except redirect existing staff in lieu of authorizing new positions.

Alternative 3 includes the following resource request:

- \$15.0 million in FY 2017-18,
- \$37.6 million in FY 2018-19,
- \$55.2 million in FY 2019-20,
- \$10.4 million in FY 2020-21, and
- \$13.9 million in FY 2021-22.

Pros:

- Provides involvement by the BOE in the development of a final product to meet the BOE's needs and expectations.
- Reduces overall project costs, while providing funding for needed operating expenses needed.
- Advances the achievement of revenue goals.

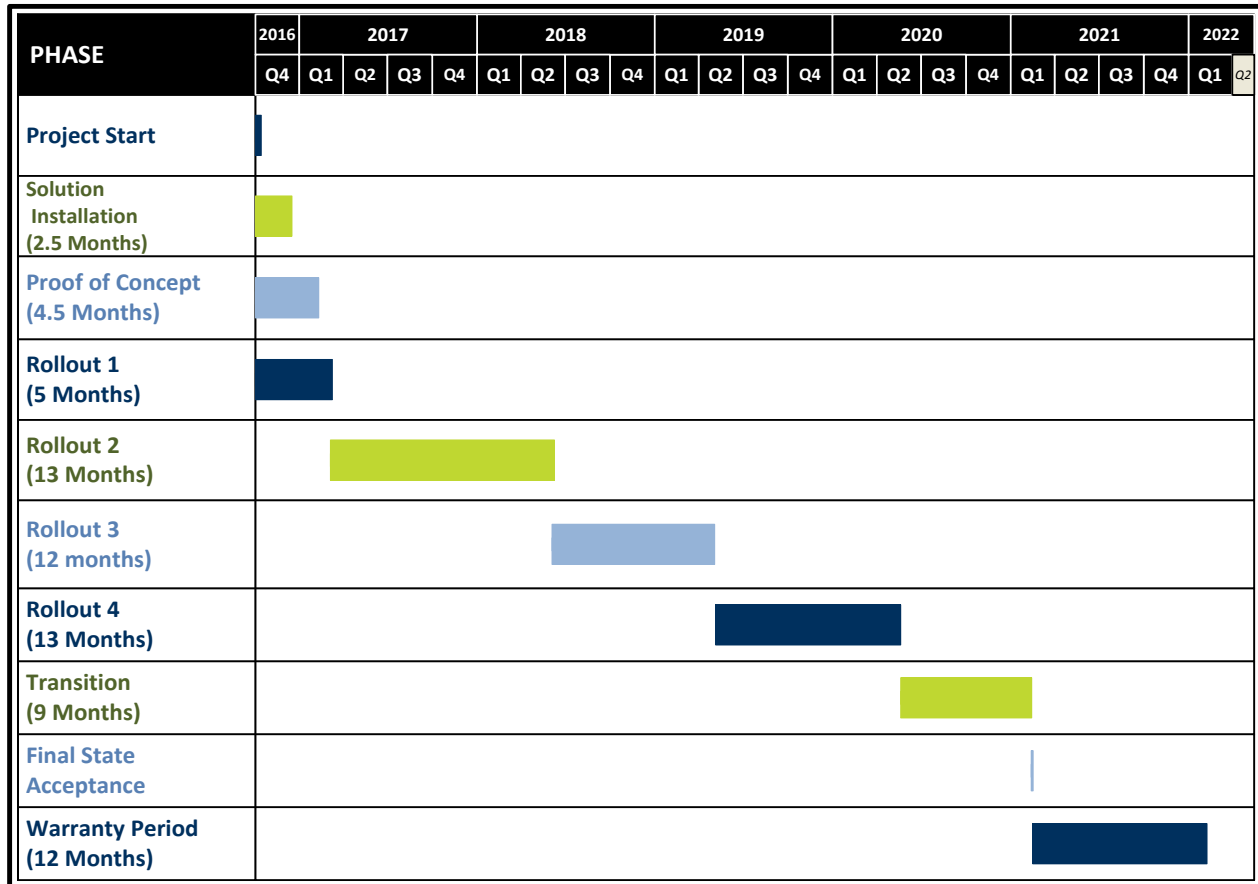
Cons:

- Current positions are needed to provide support related to the Project activities critical to the development of the CROS Solution and will not be available for new workload.
- Current BOE staff is needed to continue revenue generating activities and may reduce those activities to provide support to the CROS Solution.
- Current staff may not be able to provide needed skill-sets, increasing the risk.
- Lack of permanent ongoing positions will result in significant staffing instability, increasing risk.
- Requires ongoing budget augmentations.

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G. Implementation Plan

With the CROS Solution and the Contractor determined, the Project has more clearly defined cost, schedule and resources required for the Implementation Phase. The following diagram represents an overview of the Implementation Plan proposed by the Contractor:



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Project Release Schedule

The following table provides a brief description of each release, including start and completion dates:

Phase	Description	Start	End
Project Start		10/3/16	---
Solution Installation	Creates the technical environment and installs Solution environment and workstations, provide training to the BOE developers.	10/3/16	12/15/16
Proof of Concept	Build and demonstrate Proof of Concept for a web application that integrates with Avaya, Documentum, and external interfaces.	10/3/16	2/6/17
Rollout 1	Configure, use, and refine business intelligence functions that drive benefits and increase revenue opportunities.	10/3/16	3/6/17
Rollout 2	The development and implementation of the CROS Solution that includes Sales and Use Tax and related Tax and Fee programs.	3/6/17	4/9/18
Rollout 3	The development and implementation of the CROS Solution that includes Special Tax programs such as Alcohol, Cigarette/Tobacco, and Fuel Taxes.	4/9/18	4/8/19
Rollout 4	The development and implementation of the CROS solution that includes Special Tax and Fee programs.	4/8/19	5/11/20
Transition Period	The transition period is nine months. The new Solution needs to be stable for the entire nine month transition period.	5/11/20	2/12/21
Final State Acceptance	Final State Acceptance transfers ownership of the entire Solution and related project materials to the State.	2/12/21	2/15/21
Warranty Period	A 12 month period after Final State Acceptance where the CROS Contractor is guaranteeing the Solution production system.	2/15/21	2/14/22

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Project Assumptions

The following table provides a brief description of assumptions according to release:

Phase	Assumptions
Project Start	<ul style="list-style-type: none">• The Project will use an agile-style, iterative development methodology.• The BOE will use CROS Solution based and SharePoint tools in support of the Project.• Existing CROS functional teams will remain to ensure continuity of activities.• The BOE will add new Functional Areas and Teams, such as the Contract Management Functional Area, as functional responsibilities increase and new functions are required.
Solution Installation	<ul style="list-style-type: none">• Technical and Solution environments established.• CROS Contractor use the staging environment developed by the BOE for data conversion.• Training will be provided to select BOE developers.• Minimal internal or external stakeholder involvement.
Proof of Concept	<ul style="list-style-type: none">• Integration of Avaya, Documentum, and external interfaces.• IFTA processing center may be decommissioned.• Minimal external stakeholder involvement.• Technical readiness assessment conducted.• Some data conversion to Enterprise Data Warehouse.• BOE help desk engaged.
Rollout 1	<ul style="list-style-type: none">• Establish business intelligence functions.• Data analysis begins.• Benefits and revenue opportunities begin.• Development of business rule and policy changes.• Development of revenue reports.• OCM engaged, increased training and communications efforts.• Testing - some testing of process and policy changes.• BOE help desk engaged.
Rollout 2	<ul style="list-style-type: none">• Taxpayer web portal developed and deployed.• Solution related to Sales Tax, Use Tax, and fee programs developed and implemented.• Internal and external stakeholders fully engaged.• Contractor developers will be the primary developers.• BOE developers will support development, then maintenance and operations after rollout.• BOE developers making significant changes to legacy systems.• Solution system changes will be primarily configuration changes and custom coding will be secondary.• Solution forms created, new BOE forms created, revision of existing forms.• Increasing business intelligence development and usage in organization OCM engaged; increased training and communications efforts.• BOE help desk engaged.

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Phase	Assumptions
Rollout 3	<ul style="list-style-type: none"> • Solution related to Sales Tax, Use Tax, and related fee programs implemented, such as Alcohol, Cigarette/Tobacco, and Fuel Taxes. • Internal and external stakeholders fully engaged. • Contractor developers will be primary developers. • BOE developers will support development, then maintenance and operations after rollout with increasing development and M&O roles. • BOE developers still making a moderate changes to legacy systems. • Solution system changes will be primarily configuration changes and custom coding will be secondary. • Solution forms created, new BOE forms created, revision of existing forms. • Increasing business intelligence development and usage in organization. • OCM engaged; increased training and communications efforts. • BOE help desk engaged.
Rollout 4	<ul style="list-style-type: none"> • Solution related to Special Tax programs implemented. • OCM engaged, increased training and communications efforts. • Internal and external stakeholders engaged. • Contractor developers will be primary developers. • BOE developers will support development, then maintenance and operations (M & O) after rollout with increasing development and M&O roles. • BOE developers making few legacy system changes. • Solution system changes will be primarily configuration changes and custom coding will be secondary. • Solution forms created, new BOE forms created, revision of existing forms. • Increasing business intelligence development and usage in organization.
Transition Period	<ul style="list-style-type: none"> • The CROS Solution will be working and stable. • Potential Migration from Tenant Managed Services to Managed Services. • The CROS Solution will be located at the State Data Center at OTech • Remaining knowledge transfer from Contractor to State resources. • State's role increases. • Decommissioning planning begins.
Final State Acceptance	<ul style="list-style-type: none"> • Transfer of Solution ownership to the BOE. • Begin decommissioning of legacy systems.
Warranty Period	<ul style="list-style-type: none"> • Period of guaranteed Solution production system. • Compensation measurement for releases concludes at the end of the warranty period.

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Project Deliverables

The CROS Request for Proposal specifies approximately 160 formal deliverables over the life of the Project, to include approximately 32 deliverables in FY 2017-18, 28 deliverables in FY 2018-19, and 28 deliverables in FY 2019-20, and 3 in FY 2020-21. Deliverable reviews are anticipated to take 30 calendar days to process. Deliverable review groups will range from 3 to 50 reviewers, depending on the type and complexity of the deliverable. Each deliverable will require up to 160 hours of review time per deliverable reviewer.

The following table lists the Project deliverables to be completed in FY 2017-18:

Number	Deliverable
MRD205	Capacity and Availability Management Plan (Rollout 2 Only)
MRE103	Critical Design Review
MRD183	Data Conversion Requirements Document (Conversion Plan)
MRD181	Data Conversion Test Plan (Converted Data Verification Checklist)
MRD207	Disaster Recovery Plan (Disaster Recovery Plan)
MRE102	High-Level Design Review
MRD005	Implementation Evaluation Report
MRD106	Implementation Plan (Cutover Checklists)
MRE101	Management Plans and System Requirements Review
MRE105	Operational Readiness Assessment Review
MRD008	Organizational Change Management Guide
MRD213	Request Fulfillment (Service Desk) Plan (Help Desk/Desk-Side Support Plan)
MRD214	Security and Access Management Plan (Application Security Plan)
MRD167	Security Test Report (System Test Results Document)
MRD210	Service Asset and Configuration Management Plan (Rollout 2 Only)
MRD203	Service Level Attainment Report (Rollout 2 Only)
MRD204	Service Operations Manual (Operations Manual)
MRD209	Service Transition Plan (Rollout 2 Only)
MRD151	Software Product Specifications
MRD114	Software Requirements Specifications (Preliminary Implementation Specs)
MRD012	Software User Manual (Training Materials/User Documentation)
MRD163	System Performance Test Description (Performance Test Scripts)
MRD161	System Verification Test Plan (Test Plan)
MRD162	System Verification Test Report (System Test Results Document)
MRE104	System Verification Test Review
MRD132	Technical Infrastructure Design Description (Hardware/Software Plan)
MRD100	Technical Review Report for Critical Design Review

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Number	Deliverable
MRD100	Technical Review Report for High-Level Design Review
MRD100	Technical Review Report for Management Plans and System Requirements Review
MRD100	Technical Review Report for Operational Readiness Assessment Review
MRD100	Technical Review Report for System Verification Test Review
MRD011	Training Plan (Project Level - from Proposal Response)

Joint Application Development

The Project will conduct over 500 Joint Application Development (JAD) sessions throughout the life of the Project, to include over 340 JADs FY 2017-18 and FY 2018-19, in order to actively collaborate, collect information, provide clarification, and participate in Solution design. Project JADs will include a dynamic collection of participants, to include the CROS Contractor, facilitators, business and technical subject matter experts, scribes, management, oversight agencies, and other stakeholders as needed.

The Project is currently preparing to conduct 12 JAD sessions in FY 2016-17 related to Rollout 2, and plans to conduct the following JAD sessions in FY 2017-18 through FY 2019-20:

FY 2017-18

- Approximately 29 JAD sessions related to Rollout 2, to address Sales and Use Tax, Lumber Products Assessments, Cigarette Retailer License Fee, California Tire Fee, Covered Electronic Waste Recycling Fee, and Prepaid Mobile Telephony Services Surcharge Programs. JADs will cover seven sets of functions (Appeals, Audits, Cashiers, Collections, Refunds, Reporting Obligations, and Registration) within each of the programs to be addressed. Please note Rollout 2 may start earlier to allow more time for implementation.
- Approximately 21 JAD sessions related to Rollout 3, to address Special Tax Programs, to include Alcoholic Beverage Tax, Jet Fuel Tax, Motor Vehicle Fuel Tax, Oil Spill Prevention, Underground Storage Tank, Cigarette and Tobacco Products Licensing, Cigarette and Tobacco Products Tax, Diesel Fuel Tax, International Fuel Tax Agreement, Diesel Fuel Tax, Timber Yield Tax, and User Fuel Tax. JADs will cover 7 sets of functions (Appeals, Audits, Cashiers, Collections, Refunds, Reporting Obligations, and Registration) within each of the programs to be addressed.

FY 2018-19

- Approximately 61 JAD sessions related to Rollout 3, to address Special Tax Programs, to include Alcoholic Beverage Tax, Jet Fuel Tax, Motor Vehicle Fuel Tax, Oil Spill Prevention, Underground Storage Tank, Cigarette and Tobacco Products Licensing, Cigarette and Tobacco Products Tax, Diesel Fuel Tax, International Fuel Tax Agreement, Diesel Fuel Tax, Timber Yield Tax, and User Fuel Tax. JADs will cover seven sets of functions (Appeals, Audits, Cashiers, Collections, Refunds, Reporting Obligations, and Registration) within each of the programs to be addressed.
- Approximately 26 JAD sessions related to Rollout 4, to address Special Tax and Fee Programs, to include Fire Prevention Fee, Tax on Insurers, Energy Resource Surcharge, Childhood Poisoning Prevention Fee, Occupational Telephone Users Surcharge, Emergency Telephone Users Surcharge, Natural Gas Surcharge, Marine Invasive Species Fee, Hazardous Activity Fee, Hazardous Waste Generator Fee, Integrated Waste Management Fee, Water Rights Fee, and Hazardous Substances Tax. JADs will cover

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seven sets of functions (Appeals, Audits, Cashiers, Collections, Refunds, Reporting Obligations, and Registration) within each of the programs to be addressed.

FY 2019-20

- Approximately 86 JAD sessions related to Rollout 4, to address Special Tax and Fee Programs, to include Fire Prevention Fee, Tax on Insurers, Energy Resource Surcharge, Childhood Poisoning Prevention Fee, Occupational Telephone Users Surcharge, Emergency Telephone Users Surcharge, Natural Gas Surcharge, Marine Invasive Species Fee, Hazardous Activity Fee, Hazardous Waste Generator Fee, Integrated Waste Management Fee, Water Rights Fee, and Hazardous Substances Tax. JADs will cover seven sets of functions (Appeals, Audits, Cashiers, Collections, Refunds, Reporting Obligations, and Registration) within each of the programs to be addressed.

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H. Supplemental Information

Attachment 1 - CROS Project Organizational Chart

Attachment 2 - CROS Project Functional Area Chart

Attachment 3 - Personal Services Summary by Functional Area

Attachment 4 - Adjustments to Previously Authorized Classifications

Attachment 5 – Operating Expenses and Equipment Summary

I. Recommendation

The BOE recommends Alternative 1 in order to ensure successful delivery of the CROS Project's successful delivery and optimize the system's capabilities.

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DF-46 (REV 03/13)

Fiscal Summary

(Dollars in thousands)

BCP No.	Proposal Title	Program					
1	CROS Implementation Phase	All					
Personal Services		Positions			Dollars		
		CY	BY	BY + 1	CY	BY	BY + 1
Total Salaries and Wages ¹		0.0	68.8	68.9		\$13,116	\$11,213
Total Staff Benefits ²						\$3,250	\$3,142
Distributed Admin							
Total Personal Services		0.0	68.8	68.9		\$16,366	\$14,355
Operating Expenses and Equipment							
General Expense						\$1,140	\$289
Printing						\$47	\$47
Communications						\$209	\$207
Postage						\$416	\$416
Travel-In State						\$224	\$223
Travel-Out of State						\$18	\$31
Training						\$567	\$350
Facilities Operations						\$1,158	\$1,158
Utilities						\$18	\$18
Consulting & Professional Services: Interdepartmental ³						\$617	\$617
Consulting & Professional Services: External ³						\$8,523	\$33,205
Data Center Services						\$753	\$753
Information Technology						\$1,126	\$303
Equipment ³						\$185	\$25
Other/Special Items of Expense: ⁴							
Distributed Admin							
Total Operating Expenses and Equipment						\$15,001	\$37,642
Total State Operations Expenditures						\$31,367	\$51,997
Fund Source		Item Number					
		Org	Ref	Fund			
General Fund						\$17,747	\$29,419
Special Funds ⁵						\$3,606	\$5,978
Federal Funds							
Other Funds (Specify)							
Reimbursements						\$10,014	\$16,600
Total Local Assistance Expenditures							
Fund Source		Item Number					
		Org	Ref	Fund			
General Fund							
Special Funds ⁵							
Federal Funds							
Other Funds (Specify)							
Reimbursements							
Grand Total, State Operations and Local Assistance						\$31,367	\$51,997

¹ Itemize positions by classification on the Personal Services Detail worksheet.

² Provide benefit detail on the Personal Services Detail worksheet.

³ Provide list on the Supplemental Information worksheet.

⁴ Other/Special Items of Expense must be listed individually. Refer to the Uniform Codes Manual for a list of standard titles.

⁵ Attach a Fund Condition Statement that reflects special fund or bond fund expenditures (or revenue) as proposed.

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Personal Services Detail							
(Whole dollars)							
BCP No.		Proposal Title					
1		CROS Implementation Phase					
Salaries and Wages Detail							
Classification ^{1 2}	Positions			Salary Range	Dollars		
	CY	BY	BY + 1		CY	BY	BY + 1
CROS Core							
Business Taxes Administrator II ^a		1.0	1.0	\$84,564		\$84,564	\$84,564
Business Taxes Specialist II ^a		2.0	2.0	\$80,916		\$161,832	\$161,832
Office Technician (Typing) ^a		1.0	1.0	\$37,944		\$37,944	\$37,944
Senior Information Systems Analyst (Spec.) ^a		1.0	1.0	\$80,880		\$80,880	\$80,880
Staff Information Systems Analyst (Spec.) ^a		1.0	1.0	\$73,548		\$73,548	\$73,548
Data Processing Manager II ^a		1.0	1.0	\$84,924		\$84,924	\$84,924
CROS Position Upgrades ^a						\$312,312	\$312,312
Business Taxes Specialist III ^b		1.0	1.0	\$93,168		\$93,168	\$93,168
Data Processing Manager II ^b		1.0	1.0	\$84,924		\$84,924	\$84,924
Business Taxes Specialist I ^b		1.0	1.0	\$75,264		\$75,264	\$75,264
Business Taxes Administrator II ^b		1.0	1.0	\$84,564		\$84,564	\$84,564
Business Taxes Specialist II ^b		1.0	1.0	\$80,916		\$80,916	\$80,916
Associate Governmental Program Analyst ^b		1.0	1.0	\$62,160		\$62,160	\$62,160
Administration Dept							
Systems Software Specialist II (Technical) ^a		1.0	1.0	\$80,748		\$80,748	\$80,748
Senior Information Systems Analyst (Spec.) ^a		1.0	1.0	\$80,880		\$80,880	\$80,880
Technology Services Dept							
Staff Information Systems Analyst (Spec.) ^a		2.0	2.0	\$73,548		\$147,096	\$147,096
Senior Information Systems Analyst (Spec.) ^a		2.0	2.0	\$80,880		\$161,760	\$161,760
Systems Software Specialist II (Technical) ^a		5.0	5.0	\$80,748		\$403,740	\$403,740
Senior Information Systems Analyst (Supvr.) ^a		1.0	1.0	\$84,936		\$84,936	\$84,936
External Affairs							
Business Taxes Compliance Specialist ^b		1.0	1.0	\$65,256		\$65,256	\$65,256
Business Taxes and Fees Dept							
Business Taxes Specialist I ^b		2.0	2.0	\$75,264		\$150,528	\$150,528
Business Taxes Specialist I ^b		1.0	1.0	\$75,264		\$75,264	\$75,264
Blanket Funds:							
Overtime						7,658,913	5,743,499
Temporary Help	0.0	39.8	39.9			2,890,287	2,901,999
Total Salaries and Wages ³	0.0	68.8	68.9		\$0	\$13,116,408	\$11,212,706
Staff Benefits Detail					CY	BY	BY + 1
OASDI					\$0	\$782,717	\$669,114
Health/Dental/Vision Insurance					\$0	\$976,489	\$978,584
Retirement					\$0	\$1,458,679	\$1,461,810
Workers' Compensation					\$0	\$7,342	\$7,358
Industrial Disability Leave					\$0	\$1,821	\$1,825
Non-Industrial Disability Leave					\$0	\$2,562	\$2,567
Unemployment Insurance					\$0	\$4,424	\$4,434
Other:					\$0	\$16,096	\$16,131
Total Staff Benefits ³					\$0	\$3,250,130	\$3,141,823
Grand Total, Personal Services					\$0	\$16,366,538	\$14,354,529
¹ Use standard abbreviations per the Salaries and Wages Supplement. Show any effective date or limited-term expiration date in parentheses if the position							
² If multiple programs require positions, please include a subheading under the classification section to identify positions by program/element.							
³ Totals must be rounded to the nearest thousand dollars before posting to the Fiscal Summary.							
^a Limited Term to Permanent 7-1-17							
^b New Permanent 7-1-17							