



JAN. 10 2007

Ms. Selvi Stanislaus, Executive Officer  
Franchise Tax Board  
P.O. Box 115  
Sacramento, CA 95812-0115



Dear Ms. Stanislaus:

**Feasibility Study Report for the E-Commerce Portal Infrastructure, Project Number 1730-185**

The Department of Finance (Finance) has completed its review of the Franchise Tax Board (FTB) Feasibility Study Report (FSR) for the E-Commerce Portal Infrastructure project. Based on our review of the FSR, Finance approves the expenditure of resources for this project subject to the conditions specified in this letter.

<b>Approved Project Cost, Schedule, and Criticality Rating</b>			
<b>Project Cost</b>	<b>One-time</b>	<b>Continuing</b>	<b>Total</b>
	\$5,909,435	\$2,909,640	\$8,819,075
	<b>Annual M&amp;O</b>	<b>M&amp;O Begin Year</b>	<b>Funding Source</b>
	\$1,437,766	2010-11	General Fund Redirections
<b>Project Schedule</b>	<b>Start Date</b>	<b>Implementation Date</b>	<b>PIER Date</b>
	January 2007	November 2009	November 2010
<b>Oversight Criticality Rating</b>		<b>Medium</b>	

The primary function of the FTB is to administer the California Revenue and Taxation Code, which includes receiving and processing of tax returns required from individuals and business entities. Receiving and processing of tax data is a core component of the overall program to provide compliance information, resolve accounts to determine tax liability, identify delinquent filers, and otherwise examine returns to ensure compliance with the tax laws of the state. Processing includes the receipt, data capture, error detection and correction of returns and other documents and payments.

The FTB relies heavily on electronic services for the collection and distribution of tax information. Currently, more than 60 percent of all state tax returns are electronically filed (e-file) using modems. The FTB asserts the use of modems will be phased out by the end of 2007, and electronic filing will rely exclusively on its Internet infrastructure for receiving e-file returns. In addition, the demand for electronic services has increased over the years and the FTB has reacted to the increased demand by adding over 26 additional e-commerce applications to an Internet infrastructure that was not originally designed to handle and support them. Consequently, the infrastructure has been subjected to continuous and substantial modifications that have progressively increased its complexity well beyond the original functional requirements. With both current and anticipated growth, the FTB faces the challenge of maintaining its e-commerce applications with an inadequate Internet infrastructure.

The FTB proposes replacing the existing Internet infrastructure with an E-Commerce Portal Infrastructure (EPI) solution. The proposal will result in a redesign of the existing e-commerce network to meet FTB's objectives and enhance security, availability and scalability. With this proposal, the FTB will replace obsolete network components and add additional network components to provide failover at the existing single points of failure. The FTB intends to procure vendor services for the Independent Project Oversight and Verification & Validation, hardware and software, and technical assistance for the EPI project. In addition, the FTB plans to use an experienced in-house staff as the project manager.

The FTB expects to: (1) provide a fault tolerance that will meet FTB's business need of 24x7x365 infrastructure availability by eliminating single points of failure, (2) support e-commerce applications and activities with enhanced security capabilities that preserve the continued privacy and confidentiality of its customer's information, and (3) provide a scalable infrastructure and design to support e-commerce applications and activities, allowing e-commerce application components to be added to the Internet infrastructure with no significant redesign.

Please note that this approval does not in itself guarantee that funds or expenditure authority for the project will be available. The initiation and continuation of any information technology project remains subject to the availability of funding and legislative concurrence for funding and expenditure authority in accordance with the normal state budget process. We note that the 2007-08 Governor's Budget proposes \$1,498,000 in General Fund for this project.

This project is subject to the project reporting and oversight requirements of Finance. Should the project costs, benefits, or schedule change by 10 percent or more, or should the project scope or methodology change, a Special Project Report will be required. Refer to the Information Technology Project Oversight Framework to determine the minimum level of project management and oversight activities required for this project. At the conclusion of the project, please submit a Post Implementation Evaluation Report to Finance.

If you have any questions, please contact Chinyere Emodi at (916) 445-1777, extension 3257, or by e-mail at [Chinyere.Emodi@dof.ca.gov](mailto:Chinyere.Emodi@dof.ca.gov). Please refer to Project Number 1730-185 in any future correspondence regarding the project.

Sincerely,



Debbie D. Leibrock, Chief  
Office of Technology Review,  
Oversight, and Security



Mark Hill, Program Budget Manager  
Business, Transportation, and Housing

CE: ky  
Project No. 1730-185  
Log No. 2006-1151

cc: On following page

cc: Mr. Andrew Armani, Deputy Secretary for Information Technology, State and Consumer  
Services Agency  
Mr. J. Clark Kelso, State Chief Information Officer  
Ms. Cathy Cleek, Chief Information Officer, Franchise Tax Board  
Mr. Michael Mason, Director, Project Oversight Bureau, Franchise Tax Board  
Ms. Kathy Curtis, Principal Fiscal and Policy Analyst, Legislative Analyst's Office  
Ms. Rita Hamilton, Deputy Director, Procurement Division, Department of General Services  
Ms. Michelle Ogata, Acquisitions Branch Manager, Procurement Division, Department of  
General Services  
Mr. Chris Hill, Principal Program Budget Analyst, Department of Finance  
Mr. Scott Sanders, Budget Analyst, Department of Finance  
Ms. Colleen Pedroza, State Information Security Officer, Department of Finance