

2022 NASCIO AWARD NOMINATION



STATE: California

AGENCY: California Department of Tax and Fee Administration

AWARD CATEGORY: Digital Services: Government to Business

PROJECT TITLE: With CROS, Customers Come First

PROJECT DATES: October 2016 to August 2021

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EXECUTIVE SUMMARY

The California Department of Tax and Fee Administration (CDTFA), formerly the Board of Equalization, administers nearly 40 tax and fee programs that generate revenue essential to the state of California. The programs include California's sales and use tax, fuel, cigarette, tobacco, environmental, as well as other special taxes and fees. Over one million discrete businesses currently interact annually with the CDTFA, many involved with multiple tax and fee programs. The CDTFA had legacy computer systems that were reaching the end of useful life and needed to be replaced. CDTFA needed a single, integrated system designed to improve the efficiency and effectiveness of operations, to expand tax and fee payer services, and to increase revenues.

The Centralized Revenue Opportunity System (CROS) replaced CDTFA's legacy computer systems with a customer-centered solution and helped CDTFA fulfill its mission to make life better for Californians by fairly and efficiently collecting the revenue that supports essential public services. CROS created a responsive, online filing and payment system for California business owners and allowed the CDTFA to offer expanded online services to taxpayers including the ability to view real-time account information. Through these online services, taxpayers can file tax returns, manage their accounts, and make payments. Additionally, CROS allowed CDTFA to offer key online services in Spanish.

CROS provides a more flexible and sustainable application platform since it is based on a commercial-off-the-shelf system, which provides technology, security, and application version upgrades and relies on more configuration of the system and less on coding.

The CROS project was the most significant technology initiative the department has ever undertaken, and it was delivered on time and under budget. The gross benefits achieved due to the enhanced collection capabilities for Sales and Use Tax Collections were \$215 million (FY 2020-21) and \$112 million (FY 2019-20), compared to the baselines established by the previous systems. The CROS system streamlines and automates the tax and fee filing process, increasing voluntary compliance and providing businesses the tools to conduct activity across multiple accounts. Businesses can work from any device anytime, anywhere, allowing owners to view balances, enable third-party access, send secure messages, and complete other important tasks. The CROS is an intuitive and secure enterprise-centered platform that utilizes the latest technology to meet the needs of businesses and enable them to spend more time on work that makes a difference.

EXECUTIVE SUMMARY AND PROJECT NARRATIVE

IDEA

The California Department of Tax and Fee Administration (CDTFA) legacy computer systems were reaching the end of useful life and needed to be replaced. CDTFA needed a single, integrated system designed to improve the efficiency and effectiveness of operations, to expand tax and fee payer services, and to increase revenues.

CDTFA's long range goal was to create an expanded and responsive tax infrastructure by moving to a functional organizational structure and creating a customer-centric automation system. The Centralized Revenue Opportunity System (CROS) solution decreased the tax gap by increasing voluntary compliance, improving customer online services, and improving audit, collection, and return processing activities.

The CROS Project identified seven objectives, which were all fully accomplished by Final State Acceptance on August 16, 2021:

OBJECTIVE 1:	Develop and deploy an integrated and automated tax/fee system that increases revenue by \$40 million to \$190 million per year when the system is fully implemented.
OBJECTIVE 2:	Improve service to customers by expanding online services beyond return filing, payments, registration, requests for extensions and relief of penalties. Develop customer centric records which results in reducing the number of customer contacts to team members.
OBJECTIVE 3:	Reengineer and improve program processes by 25% by reducing paper, streamlining manual program processes, automating program processes, and developing an effective case management system.
OBJECTIVE 4:	Provide the ability to work securely anytime and from anywhere, utilizing the latest mobile devices and allowing real-time information access to field staff and to pass a third-party IT security audit.
OBJECTIVE 5:	Implement an intuitive and easy to use system, as measured by reducing system training time from on average six months to three months, the ability to personalize user interfaces and screens and utilize the most current technology.
OBJECTIVE 6:	Improve access to data and data sharing to support real-time transaction updates, reduce the number of requests for system fixes by 90%, support program generated reports, improve data matching capabilities, and improve access to third party data.
OBJECTIVE 7:	Obtain flexible and sustainable technology to reduce the time needed to implement legislative changes, allow program to easily change system rules, accept concurrent system changes, reduce standalone support systems, and use component architecture of re-useable shared components.

IMPLEMENTATION

CROS created a responsive online filing and payment system for California business owners and allowed CDTFA to offer expanded online services to taxpayers, including the ability to view real-time account information. Through these online services, taxpayers can file tax returns, manage their accounts, and make payments. Additionally, CROS allowed CDTFA to offer key online services in Spanish.

CDTFA began the CROS project in October 2016 and rolled out the first phase of the sales and use tax program in May 2018. Two additional phases in August 2019 and November 2020 transitioned all remaining tax and fee programs administered by CDTFA to the new system. Overall, the CROS Project implemented a total of 38 tax and fee programs.

In August 2021, CDTFA signed a “Final State Acceptance” letter for CROS, marking the completion of the project. The project was financed using a compensation strategy, called Benefits-Based Contracting, which measured project objectives to ensure required performance levels were achieved, and that payment to the vendor was made only for services that met those levels.

Rollout 1 (R1)

Data Warehouse and Discovery Programs – established the data warehouse, assessed CDTFA’s revenue generating programs, and defined and implemented revenue-generating opportunities.
(Implemented March 2017)

Rollout 2 (R2)

Sales & Use Tax, Lumber Fee, Cigarette Retailer License Fee, Tire Fee, Electronic Waste Fee.
(Implemented May 2018)

Rollout 3 (R3)

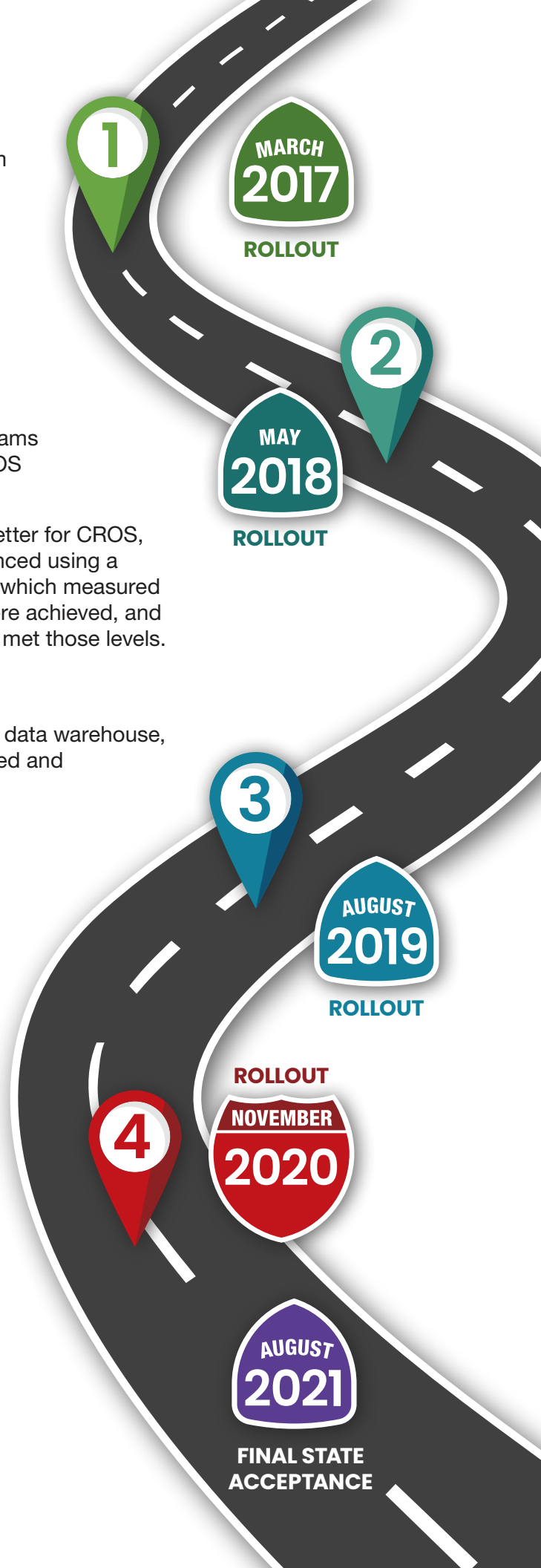
Special Taxes Programs (such as Alcoholic Beverages, Cigarette and Tobacco, and Fuel Taxes).
(Implemented August 2019)

Rollout 4 (R4)

All the remaining CDTFA tax programs including two legislative mandates (Cannabis Tax and Lead-Acid Battery Fees) and the offering of selected Online Services (registration, sales tax filing, and payments) in Spanish. *(Implemented November 2020)*

Final State Acceptance

The CROS project achieved the Final State Acceptance on August 16, 2021, and successfully transitioned to Maintenance and Operations.



IMPACT

CROS provides a more flexible and sustainable application platform since it is based on a commercial-off-the-shelf (COTS) solution, which provides technology, security, and application version upgrades and relies on more configuration of the system and less on coding.

The enhanced collection capabilities resulted in increased Sales and Use Tax Collections revenues of \$215 million (FY 2020-21) and \$112 million (FY 2019-20).

Numerous online services improvements were realized, including:

- Providing 24/7 access
- Allowing all tax and fee programs requiring returns to be filed electronically
- Providing customers with the capabilities to conduct all their business activities across multiple tax and fee accounts, which allows owners to view balances, enable third-party access, send secure messages, access electronic copies of correspondence mailed to them, update contact information, and complete other important tasks
- Alerting customers of inconsistent or erroneous entries in real-time
- Reducing labor-intensive data capture processes and manual correction workload
- Increasing taxpayer education has increased voluntary compliance
- Providing better customer service based on a customer profile which allows for a single registration process for multiple tax and fee programs

The CROS system is an employee-centered solution that benefits CDTFA overall, by enabling everyone to work more efficiently and spend more time on the work that makes a difference.

Benefits to Employees:

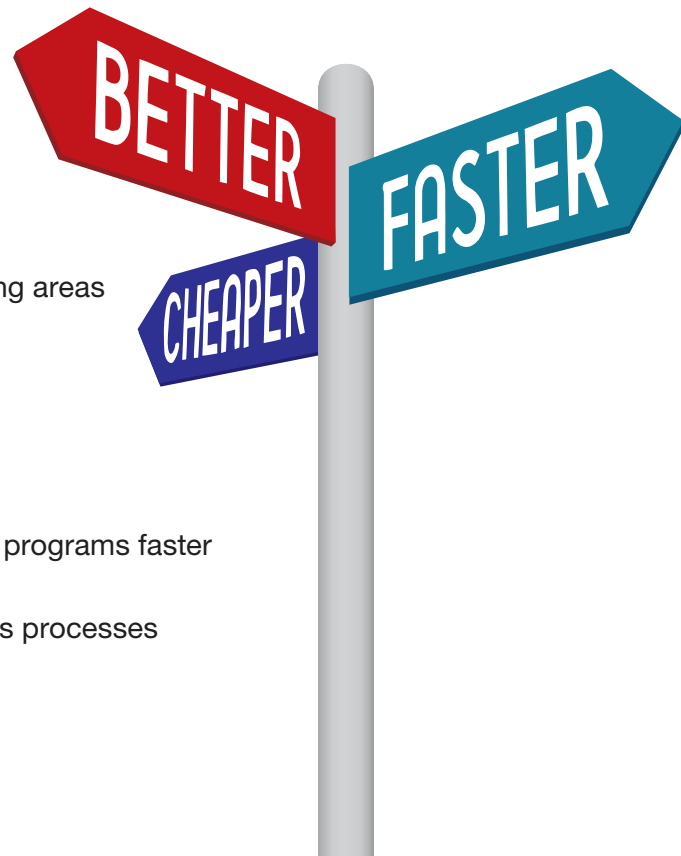
- Automates processing of standard tasks
- Allows greater productivity through the intuitiveness of the system
- Improves workflow through paperless business processes
- Improves accuracy using real-time data
- Provides better search tools to save time and effort
- Reduces training time

Benefits to Managers:

- Provides tools to better balance and prioritize workload
- Improves metrics for recognizing successes and identifying areas that need improvement
- Improves decision making using new analytics tools

Benefits to CDTFA:

- Results in taxes and fees collected more efficiently
- Allows the implementation of new or updated tax and fee programs faster and easier
- Provides greater efficiencies through streamlined business processes
- Increases information sharing internally and externally
- Automates manual program processes



CROS Moving Forward

The CROS Project propelled CDTFA into the digital age by replacing the legacy systems with a customer-centered solution. It also positioned the Department with advanced capabilities that allows for expansion of the system to meet future policy changes and response times to implement Executive Orders, legislation, and government mandates.

Overall, CROS has improved the efficiency and effectiveness of operations, expanded tax and fee payer services, and increased revenues, bringing in an additional \$327 million during its first two years of operation.

Lastly, CROS helped CDTFA fulfill its mission to make life better for Californians by fairly and efficiently collecting the revenue that supports essential public services.