



ENTERPRISE DATA TO REVENUE 2 (EDR2)

STATE OF CALIFORNIA
FRANCHISE TAX BOARD

Category: Enterprise Technology Management

**Project Implementation and Completion Dates:
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Executive Summary

In 2007, the Franchise Tax Board (FTB) developed a long term Tax Systems Modernization strategy consisting of three largescale projects spanning 30 years. The plan focuses on modernizing aging IT systems, implementing new business opportunities, and improving taxpayer services, compliance, and operational excellence. Each project was designed to take roughly 10 years from planning through implementation, with each phase building upon the previous. Collectively, these efforts are known as the Enterprise Data to Revenue (EDR) projects.

Phase one, the initial EDR Project (EDR1), established our foundational enterprise platform and modernized both return processing and correspondence workflows. Phase two of the EDR Projects (EDR2), represents one of the most significant modernization efforts in the department's history. It replaced the aging and siloed Audit/Legal, Collections, and Filing Enforcement systems with a unified, modern Enterprise Tax System (ETS) designed to strengthen operational continuity, enhance taxpayer services, and safeguard more than \$4 billion in annual revenue.

Project implementation began July 2021 with a series of early initiatives. In 2023, the project introduced the first compliance workload to the Enterprise platform and continued implementation through the final release in January 2026. Each compliance workload was transitioned in a manner and pace that allowed FTB to take small, measured steps and scale up, ensuring stability and reducing the risk of negative impacts on FTB operations and taxpayers.

In addition to consolidating FTB's compliance systems, the EDR2 Project delivered a suite of modern capabilities that aim to strengthen both operational performance and taxpayer experience. This included new online service tools that enhance customer interaction and support compliance, advanced modeling capabilities aimed to improve case selection, and expanded data visualizations that elevate reporting, inventory management, and trend analysis across the enterprise.

The EDR2 implementation was a multi-year, enterprise-wide modernization effort that paired major technology upgrades with extensive business implementation efforts. Together, these efforts ensured the successful deployment of modernized systems and prepared the enterprise for sustained adoption and long-term operational benefit. The completion of the EDR2 Project marks a major milestone in California's long-term Tax Systems Modernization strategy.

Project Description

Idea

EDR2 addresses the critical problem of FTB's aging and siloed compliance systems supporting the Audit, Legal, Filing Enforcement, and Collections workloads. These systems on average were over 25 years of age and were reaching "end of life". If not replaced, eventually these systems would become unstable, unsupported, inefficient, and unable to meet modern operational, security, or customer service needs. FTB's compliance operations generate over \$4 billion annually in revenue for the state of California. Replacing these systems was essential to keep pace with policy updates, automation technologies, taxpayer expectations and to protect that revenue, which is utilized to fund necessary services for all Californians.

Additionally, the modernization effort provided opportunity to strengthen FTB's data environment by consolidating case data into centralized Enterprise Data Stores, capturing previously unused unstructured and third-party data, and enabling enhanced modeling and analytics.

Externally, the project expanded online services and tools that support taxpayer compliance, making it easier for Californians to access information, resolve issues, and manage their tax obligations.

The EDR2 Project stands out for its scale and its integration approach. The project takes a comprehensive, enterprise-wide approach to compliance modernization. Instead of upgrading individual systems or business functions, it unifies core operations across Audit, Legal, Filing Enforcement, and Collections, consolidates vast amounts of compliance data, and provides a modern case management platform that leverages automation and standardized workflows. This effort enables visibility across compliance activities and positions the department for data-driven decision making.

Many states face similar challenges such as aging systems, siloed processes, and increasing demand for digital services. EDR2's approach aligns with National Association of State Chief Information Officers (NASCIO) priorities, including risk management, modernization, digital services, and data management. Its enterprise design, data strategy, and focus on customer experience offer a scalable model that other states can adapt to modernize systems, improve efficiency, and deliver better digital experiences.

Implementation:

EDR2 required a coordinated use of financial resources, multiyear staffing commitments, and vendor engagement. All of which were secured through California's Project Approval Lifecycle overseen by the California Department of Technology and California's Budget processes. Hundreds of dedicated business and technical team

members executed thousands of tasks across technical and business implementation efforts. The project spanned close to 10 years from planning through implementation. Investing 5.5 years of project planning, requirements gathering, vendor selection and external project approval activities, followed by 4.5 years of quarterly release implementations and support. The total cost of the project was \$801,537,129.00.

EDR2 used a structured project management approach that integrates governance, planning, lifecycle management, and quality oversight across FTB and the Solution Partner (SP) vendors. In alignment with FTB's enterprise governance model, the project sponsors, the Executive Stakeholder Committee, and the Project Steering Committee provided direction, resolved escalations, and oversaw scope, schedule, cost, risks, and benefits.

The EDR2 Project utilized a collaborative management structure to ensure effective oversight and seamless execution across both technical and business dimensions. The dual director model featured an EDR2 Business Director and EDR2 Technical Director, who jointly provided leadership and guidance throughout the project and worked in partnership with a parallel SP Project Director and SP Technical Manager. Day-to-day project execution was jointly managed by the FTB and Solution Partner project directors, supported by discipline managers who coordinated activities across development, testing, technical architecture, operations, and business implementation this allowed the project to maintain focus on both technical delivery and business readiness, resulting in a unified approach to implementing the modernized Enterprise Tax System.

To effectively manage the scope and schedule, requirements, architecture, and management baselines were established up front, while each design stage proceeded through multiple releases. Each release moved through design, development, testing, user acceptance, and deployment, supported by readiness reviews, change control, and earned value monitoring to track schedule and cost performance. Progress, risks, and dependencies were monitored through regular joint status reviews, monthly reporting, and roadmap updates. Scope was managed through formal intake and change management processes to ensure alignment with contract requirements and coordinated updates across legacy systems and business operations. FTB and the Solution Partner used a common set of tools to manage documents, requirements, schedules, issues, and risks, ensuring a single source of truth across the integrated team. Quality oversight was embedded throughout the lifecycle, supported by Independent Verification and Validation, Independent Project Oversight, and structured readiness assessments to confirm adherence to technical, contractual, and business expectations.

Building on the foundation established in Phase 1 (EDR1), the project's technical architecture was expanded to harness state-of-the-art advancements as each phase progressed, including the introduction of enterprise-level containerization and orchestration technologies.

To quickly improve compliance processes, a series of early initiatives in the first year introduced advanced modeling capabilities, expanded data sources, and added a new asset/income repository to strengthen data matching. These early initiatives laid essential groundwork for broader system transformation.

It is important to note, EDR2 followed a disciplined Crawl Walk Run (CWR) approach to guide the transition of the compliance workloads to the Enterprise Tax System (ETS). This structured approach was designed to maintain operational stability, reduce risk, and support iterative refinement. The Crawl phase introduced functionality to small user groups, allowing for early validation and process adjustments. The Walk phase expanded usage and added more features, enabling incremental adoption while maintaining control over system behavior. Finally, the Run phase marked full operational readiness, with all impacted staff trained and transitioned to ETS.

Over the course of implementation, FTB transitioned all of the Audit, Legal, Collections, and Filing Enforcement workloads to the ETS, implemented new data sources and paper data capture, and introduced over 20 new online services to Californians using the CWR approach. As each program transitioned to ETS, the department's modeling and data visualization capabilities expanded, unlocking FTB's ability to leverage the additional data within its Enterprise Data Stores. In support of the compliance workload transition to ETS and the project's objective to centralize information within the Enterprise Data Stores, implementation efforts included large scale data conversions. Migrating over 20 million open and closed compliance cases from multiple legacy systems to the new enterprise platform. To ensure accuracy, integrity, and business continuity, data conversions also followed a strategic phased approach. Early releases focused on smaller data groups, enabling the project team and business programs to validate conversion logic, confirm data quality, and refine processes before expanding to larger and more complex inventories. Each subsequent migration increased the volume and variety of data converted, allowing validation activities to scale gradually while maintaining confidence in the results.

With the final release completed in January 2026, EDR2 marked a major milestone in FTB's long term Tax Systems Modernization strategy.

Business readiness was a core pillar of implementation. Throughout the project, the Business Implementation Management team provided enterprise-wide support through Organizational Change Management (OCM), User Training, and Business Impact Assessments (BIA). OCM activities included targeted communications, Readiness Workshops, Change Leader and Change Champion engagement, User Focus Groups, Run Readiness assessments, and post implementation reinforcement activities. Training combined instructor led courses, self-paced materials, demonstrations, and division specific preparation. Business Impact Assessments were conducted for every release to evaluate impacts to workflows, duties, system access, and procedures across the organization.

As important as Business readiness is, FTB recognized the criticality of the technology resources also being ready to support the new system in the long term. FTB's Technical Knowledge Transfer (TKT) effort ensured FTB could fully support the Enterprise Tax System after vendor transition. Through a mix of structured learning, hands on experience, mentoring from vendor experts, role specific knowledge sharing sessions, and documented handoff plans, TKT equipped FTB technical staff with the skills and system understanding needed to independently maintain and enhance the solution.

Success for the EDR2 Project will be assessed through a combination of operational outcomes, user adoption, system reliability, and long-term sustainability indicators. Success is in progress and will be achieved when all compliance workloads have fully transitioned to the unified Enterprise Tax System and its supporting data platform, allowing the retirement of the legacy systems. Continued meeting of revenue targets will confirm that the modernized platform supports effective compliance activities and maintains the department's ability to protect state revenue.

User adoption will be measured through OCM reinforcement activities, ensuring that staff can confidently perform their work in the new system. Buy-in is critical to adoption. Business Subject Matter Experts and Division Leads (and delegates) played a central role in driving buy-in, awareness, and adoption across all seven divisions. They participated in key project activities including Joint Application Development sessions, Business Process Reengineering/Business Impact Assessment, OCM, data conversion validation, oversight of CWR, user acceptance testing, and user training. Their involvement allowed training, procedures, and communications to be tailored to each division's specific impacts.

Externally, expanded online services and tools will be evaluated through usage metrics. Finally, long-term success will be demonstrated through the State's full assumption of maintenance and operations for the EDR2 solution, confirming that TKT and vendor to state transition efforts have equipped FTB teams to independently manage, support, and enhance the system.

Impact:

The EDR2 Project mitigated the risk of revenue loss by replacing aging, end-of-life systems that were becoming increasingly unstable and difficult to support. If not replaced, could have jeopardize FTB's ability to perform essential compliance activities – directly threatening revenue collection. By modernizing these platforms, EDR2 ensured that critical operations remain reliable, secure, and fully supported.

In addition to increased security, modernization improves the way FTB conducts compliance operations by expanding modeling and analytics capabilities, automating workflows, and introducing enhanced online service tools that improve customer experience. These advancements increase operational efficiency, streamline staff workloads, and strengthen revenue protection.

Technology teams benefited through simplification of the department's IT portfolio, reducing reliance on specialized skillsets and promoting streamlined support. Notably, the introduction of enterprise-level containerization and orchestration technologies addressed complex challenges related to application build, deployment, and environment management identified in EDR1. These innovations also supported the department's strategic goal of data center neutrality for its mission-critical tax systems, ensuring flexible deployment options both on-premises and in the cloud. As a result, the department gained the agility to scale resources during peak filing seasons and strengthened its ability to recover and resume operations swiftly in the event of major data center disruptions.

The impact of these improvements is reflected directly in user feedback. Below are two testimonials from staff already experiencing the benefits of the EDR2 Project:

Audit End User: "Initially, I was cautiously optimistic about the idea of merging the legacy systems into ETS. I liked the idea of simplifying processes and was curious to see how it would work. One of the best improvements is how many of our old procedures and checklists are no longer necessary. While there are still bugs and workarounds to address, the system (when working properly) will streamline the process and save time."

Collections End User: "My initial thoughts of the new Collections systems were very positive. I was excited about its potential to streamline our processes and improve our workflow efficiency. I really appreciate the intuitive interface and how it significantly enhances our productivity by saving valuable time. I find that the new interface is incredibly easy to navigate, which makes our work much smoother."

As we move through the Warranty Period in 2026, FTB continues to mature the functionality delivered through EDR2 and complete project close-out activities, including a strong emphasis on the ongoing Technical Knowledge Transfer effort – positioning the department to sustainably own and evolve the enterprise system of work for years to come.