

BOE FY 2014-15 BUDGET CONCEPTS OVERVIEW

(as of 05-21-2013 - in 000's)

Budget Items	2014-15						2015-16						
	Budget Concepts	Pos.	Cost			Revenue	Benefit/ Cost Ratio	Pos.	Cost			Revenue	Benefit/ Cost Ratio
GF			Other	Total	GF				Other	Total			
Tax Gap II and Lumber Products Assessment													
This is a proposal to convert a total of 11.5 positions (5.5 two-year limited term positions in the Tax Gap II Outreach Program, and 6.0 two-year limited term positions in Lumber Fee Assessment) to permanent positions and add an additional 4.0 permanent positions in Technology Service Division for the Lumber Fee Assessment. These 2-year limited term positions through the Tax Gap II and Lumber Fee Assessment Budget Change Proposals will expire in June 2014. Continuation of the Tax Gap II Outreach positions will allow the BOE to continue educating taxpayers about the use tax throughout the state. The BOE is also requesting to continue 6.0 Lumber Fee Assessment positions to provide high quality services to the feepayers that are required to register, collect, report, pay the additional fee, as well as to assist with the increase in communications between the feepayers and the BOE. In addition, the BOE is requesting 4.0 new positions to provide ongoing technology maintenance and support for this program.	15.5	\$1,357	\$689	\$2,046	TBD	N/A	15.5	\$1,303	\$661	\$1,964	TBD	N/A	
Southern California Appeals and Settlement Unit													
This proposal requests permanent establishment of 22.0 expiring limited term positions and 4.0 new positions for the Southern California Appeals and Settlement Unit. The So Cal Unit has successfully met and exceeded its estimated accelerated revenues since inception and continues to meet the increased and consistent taxpayer demand for administrative Appeals and Settlement services that accelerate the resolution of disputed tax liabilities and accelerate the associated revenue to the General Fund, as well as local jurisdictions and special taxing districts. This unit accelerates approximately \$92 million in revenue annually.	26.0	\$4,332	\$0	\$4,332	\$92,000 b	21:1	26.0	\$4,240	\$0	\$4,240	\$92,000	21.7:1	
Fire Prevention Fee													
This proposal requests permanent funding in various Departments within the BOE for the continuation of the Fire Prevention Fee (FPF) positions. The BOE received 56.5 two-year limited term positions during the FY 2012-13 Budget Process that are set to expire on June 30, 2014, to address workload associated with ABx1 29 State Responsibility Area (SRA) Fire Prevention Fee. ABx1 29 created a substantial workload the BOE cannot absorb. These positions are responsible for registering and maintaining feepayer accounts, issuing billings, processing payments, performing collection actions, issuing refunds, processing petitions, providing feepayer advisory services, and performing program support functions on behalf of the Department of Forestry and Fire Protection. Permanently funding these requested resources will allow the BOE to continue to perform mandated workload, provide high quality service to approximately 800,000 feepayers, and protect special fund revenue. Furthermore, the BOE will be evaluating the need for additional resources.	TBD	TBD	TBD	TBD	TBD	TBD	TBD	TBD	TBD	TBD	TBD	TBD	
Valuation Factors Studies for County-Assessed Properties													
This proposal requests funding for County-Assessed Property Division (CAPD) to establish and permanently fund 2.0 positions to conduct studies to update the valuation factors for non-production computer equipment, semiconductor manufacturing equipment, biopharmaceutical industry equipment, and fixtures previously adopted by the Board. Commencing with lien date January 1, 2015, values determined by use of these factors will no longer be rebuttably presumed the full cash value of that property unless the BOE conducts a review. It is essential that the BOE respond to changing environments and be proactive in conducting valuation studies to arrive at accurate factors to ensure equitable treatment and fairness to taxpayers in the assessment of personal property and fixtures and to promote assessment uniformity.	2.0	\$351	\$0	\$351	N/A	N/A	2.0	\$318	\$0	\$318	N/A	N/A	

BOE FY 2014-15 BUDGET CONCEPTS OVERVIEW

(as of 05-21-2013 - in 000's)

Budget Items	2014-15						2015-16						
	Budget Concepts	Pos.	Cost			Revenue	Benefit/ Cost Ratio	Pos.	Cost			Revenue	Benefit/ Cost Ratio
			GF	Other	Total				GF	Other	Total		
<p>Intrusion Detection/Prevention System - Information Security</p> <p>This request is to fund 3.0 positions needed to maintain the Intrusion Detection/Intrusion Prevention System (IDS/IPS) and monitor output from the logs and alerts. 2.0 positions will be located in the Technology Services Department and 1.0 position will be located in the Information Security Office. The Board of Equalization (BOE) receives Federal Tax Information (FTI) from the Internal Revenue Service (IRS) which aids in the collection of over \$3 to \$5 million annually. The majority of FTI resides in Automated Compliance Management System (ACMS) which is housed at the OTech Data Center. In-house, the BOE has smaller amounts of FTI, which along with other data, is used to generate audit selection. In an IRS Safeguards Review Audit conducted in January of 2011, there were findings requiring the BOE to have additional devices and services in place to protect FTI on our internal network. Non-compliance to these findings would result in possible termination of the BOE's access to FTI and would put \$3 to \$5 million at risk.</p>	3.0	\$473	\$0	\$473	\$3,000 - \$5,000 ^a	N/A	3.0	\$421	\$0	\$421	\$3,000 - \$5,000	N/A	
<p>Headquarters Consolidation</p> <p>This proposal will fulfill the BOE's mission to serve the public through fair, effective, and efficient tax administration by consolidating and expanding facilities for efficient and effective business operations. Funding is requested to relocate the BOE Headquarters (HQ) and annex facilities into a consolidated location. The BOE has outgrown the 450 N Street building, resulting in the need for four annex locations, which impacts revenue generation. Since all five HQ locations are near capacity, this will impact the BOE's ability to add staff to address legislative mandates for revenue collection and enforcement efforts. It is necessary to consolidate the BOE's current offices into a single location that is scalable for growth and allows for the most efficient and effective business operations. The Department of General Services estimates costs of \$500,000 for site search development and feasibility analyses in FY 2014-15; no costs for FY 2015-16 as this is part of the construction phase. The BOE estimates \$1,450,000 in one time moving costs in FY 2016-17.</p>	0.0	\$253	\$247	\$500	N/A	N/A	0.0	\$0	\$0	\$0	\$0	N/A	
<p>CROS Project (Phase II) - Placeholder</p> <p>This is a placeholder for a 2014-15 Spring Finance Letter (SFL) or May Revise proposal to request funding and staffing resources for the CROS Project, Phase II. This second phase will fund (a) the services of the selected System Integrator (Vendor) that will be responsible for the design, development, testing, and operational implementation of the final CROS solution; and (b) the BOE staff and resources to monitor and liaison with the Vendor. The second phase costs cannot be determined until the Vendor's work plan (including deliverables) are finalized and approved in the Contract Award process. The BOE does not have sufficient information to go forward with a standard Budget Change Proposal to be submitted to Department of Finance in September 2013. Therefore, the CROS Project requests approval of a 2014-15 SFL (or later) placeholder.</p>	0.0	TBD	TBD	TBD	TBD	N/A	0.0	TBD	TBD	TBD	TBD	N/A	
TOTALS	46.5	\$6,766	\$936	\$7,702	\$185,800 - 187,800		46.5	\$6,282	\$661	\$6,943	\$92,000		

^a Expect to lose \$3-5 million annually if we lose access to FTI

^b Accelerated revenue

Fiscal Year [2014-15]

TITLE OF PROPOSAL

Tax Gap II and Lumber Products Assessment

DIVISION PRIORITY NUMBER

PROGRAM IMPACTED

Sales and Use Tax Program

SUMMARY OF REQUEST *(including impact if request denied)*

This is a proposal to convert a total of 11.5 positions (5.5 two-year limited term positions in the Tax Gap II Outreach Program, and 6.0 two-year limited term positions in Lumber Fee Assessment) to permanent positions and add an additional 4.0 permanent positions in Technology Service Division for the Lumber Fee Assessment. These 2-year limited term positions through the Tax Gap II and Lumber Fee Assessment Budget Change Proposals will expire in June 2014. Continuation of the Tax Gap II Outreach positions will allow the BOE to continue educating taxpayers about the use tax throughout the state. The BOE is also requesting to continue 6.0 Lumber Fee Assessment positions to provide high quality services to the fee payers that are required to register, collect, report, pay the additional fee, as well as to assist with the increase in communications between the fee payers and the BOE. In addition, the BOE is requesting 4.0 new positions to provide ongoing technology maintenance and support for this program.

BACKGROUND/HISTORY

In FY 2008-09 through 2010-11, the first Tax Gap Plan was approved and the initiatives were implemented. In FY 2012-13, Tax Gap II initiatives that were conducive to the changing economic environment were also approved. The Tax Gap II revenue as of February 28, 2013 was \$4.2M and is on track to meet the \$15M anticipated. In this concept for Tax Gap II, only the Outreach Element positions were identified to make the 5.5 Limited Term positions permanent. In January 1, 2013, a new Lumber Fee Assessment pursuant to AB 1492 became law with estimated annual revenue of \$30M and the BOE is statutorily mandated to administer this new program. Implementation of this new Lumber Fee has resulted in additional telephone calls and written inquiries by the Taxpayer Information Section (TIS) and the Audit and Information Section. The BOE is requesting to permanently establish the existing 6.0 positions and to add an additional 4.0 positions in TSD for the Lumber Fee portion of this concept.

STATE LEVEL CONSIDERATIONS *(including impact to other departments)*

The BOE collects taxes and fees that provide approximately 34 percent of the annual revenue for state government and essential funding for counties, cities, and special taxing districts. The BOE administers the state's sales and use, fuel, alcohol, tobacco, and other taxes and collects fees that fund specific state programs. In FY 2010-11, the BOE-administered taxes and fees produced \$53.7 billion for education, public safety, transportation, housing, health services, and natural resource management.

This concept proposal is consistent with the BOE's mission to serve the public through fair, effective and efficient tax administration. Specifically, this concept proposal allows the BOE to maintain and administer its Tax Gap II initiatives and the Lumber Fee Assessment programs. This concept proposal is consistent with, and supports, the BOE's strategic plan by maximizing voluntary compliance, investing in a skilled, motivated and diverse workforce, and enhancing the BOE's operational effectiveness.

JUSTIFICATION *(including link to Strategic Plan)*

Please see the additional document for the justification.

COSTS AND BENEFITS (BUDGET YEAR ONLY – FISCAL YEAR [2014-15])

New funding Continuation Redirection

COST	REVENUE <i>(if applicable)</i>
\$ 2,046,000	\$ Pending
POSITIONS <i>(if applicable)</i>	COST SAVINGS <i>(if applicable)</i>
15.5 Positions	\$ Pending

PREPARED AND APPROVED

PREPARED BY Michael Lee	DIVISION CHIEF APPROVAL
AUTHOR'S TELEPHONE NUMBER (916) 445-2806	DATE April 9, 2013

ACTION

Concept Approved Request Denied

EXECUTIVE DIRECTOR *(signature)*


The BOE is requesting permanent establishment of 5.5 expiring positions in Tax Gap II related to our Outreach Efforts. These positions have been instrumental in educating taxpayers about use tax throughout the state. One of the BOE's Outreach Efforts consisted of sending a letter to income earners of \$1.0 million in August 2012 and \$500K in April 2013 who did not report any Use Tax on their Franchise Tax Board income tax return. The letter campaigns reached over 27,000 taxpayers in the August 2012 letter and over 80,000 taxpayers in the April 2013 letter. Data received from the August 2012 letter revealed that over \$3.0 million in Use Tax was reported and paid. Other Outreach Efforts include development of a Use Tax video, which is available on the BOE website to further educate taxpayers about the Use Tax program. The BOE has also developed a complete Use Tax Information Webpage that provides useful information ranging from basic use tax law and filing to specific resources. The BOE networks with tax professionals, industry groups, and associations to educate them about Use Tax. If the Outreach Effort positions are not established permanently, the state will lose out on the contact with taxpayers and the opportunity to educate them of their obligation to pay Use Tax. The Taxpayer Information Section will be impacted as well with the increase of phone call volumes and wait times. Without the necessary staff available to accommodate the increase in call volume the BOE will run the risk of the inability to target and educate taxpayers and may lead to unpaid Use Tax. Increasing Outreach Voluntary Compliance is the most effective method to collect the taxes that are due.

The BOE is requesting permanent establishment of 6.0 expiring positions in the Lumber Assessment program to continue workload that was expected to be one-time. The workload has proven to be an ongoing workload that includes maintaining and updating webpages and publications, maintaining and corresponding with the Board of Forestry, ongoing responses to taxpayer and tax professional's telephone and written questions and inquiries, generating lumber fee reports and analyses (i.e. revenue, registration, audits, collections, refunds, etc.). As a result, the 6.0 positions are requested to be established on a permanent basis. Due to technology limitations and the complexity of administering the Lumber Fee Assessment Program coupled with the existing Sales and Use Tax Program, the positions in the Return Analysis Unit and Local Revenue Allocation Unit are necessary to ensure accurate and timely allocation of lumber and sales and use tax revenues. The workload associated with these positions consists of taxpayer education, revenue allocation, and payment maintenance and billing. In addition, 4.0 new positions are being requested for our Technology Services Department. The Lumber Assessment Fee Program has resulted in many changes to our IRIS system which will require ongoing maintenance and support to efficiently administer and integrate the Lumber Assessment Fee into the BOE's infrastructure. These 4.0 positions were requested when final language for AB 1492 was chaptered, but were not approved at that time. Changes in the language from draft format to final chaptered format created additional workload in our Technology Services Department that has proven to be ongoing workload.

Fiscal Year [2014-15]

TITLE OF PROPOSAL

Southern California Appeals and Settlement Unit

DIVISION PRIORITY NUMBER

PROGRAM IMPACTED

Appeals from Other Governmental Programs

SUMMARY OF REQUEST *(including impact if request denied)*

This proposal requests permanent establishment of 22.0 expiring limited term positions and 4.0 new positions for the Southern California Appeals and Settlement Unit. The So Cal Unit has successfully met and exceeded its estimated accelerated revenues since inception and continues to meet the increased and consistent taxpayer demand for administrative Appeals and Settlement services that accelerate the resolution of disputed tax liabilities and accelerate the associated revenue to the General Fund, as well as local jurisdictions and special taxing districts. This unit accelerates approximately \$92 million in revenue annually.

BACKGROUND/HISTORY

The So Cal Unit was established effective October 1, 2010 as part of the Enhancing Tax Compliance proposal to accelerate revenue and address significant increases in taxpayer demand for Appeals and Settlement services that began in FY 2008-09. Taxpayer behavior appeared to change as a result of the economy. Taxpayers began filing significantly more appeals and more vigorously disputing proposed tax assessments. This resulted in more appeals and settlements overall and an increase in the complexity of cases appealed and proposed to be settled. The 22 person unit was staffed roughly equally between the Appeals section and the Settlement section with auditors and attorneys who held appeals conferences and negotiated settlements with taxpayers once taxpayers entered the administrative appeals process by filing a petition for redetermination. More than \$142 million in associated revenue held up during the administrative appeals process was accelerated to the General Fund during the three-year project.

STATE LEVEL CONSIDERATIONS *(including impact to other departments)*

Given the continuing changes to the economic climate in California, this program continues to be vital to revenue growth by increasing compliance with existing tax and fee laws. The approval of this proposal will continue to accelerate resolution of disputed tax liabilities and accelerate the associated revenue to the State without increasing taxes. Denial of this proposal will result in the continued estimated revenue delay for California of approximately \$92 million annually for FY 2014-15 and ongoing.

This proposal is consistent with the BOE's Strategic Plan to maximize voluntary compliance in the BOE's tax and fee programs and enhance operational effectiveness.

JUSTIFICATION *(including link to Strategic Plan)*

This proposal will create many benefits to California taxpayers. Specifically, it will accelerate the resolution of appeals for taxpayers, thereby limiting interest accruing on unpaid tax assessments. This proposal significantly increases the possibility of collection by accelerating the resolution of appeals and revenues to the General Fund and avoiding the loss of potential collections due to delay. Further, the proposal will educate taxpayers and the public as to the reporting and compliance requirements for California businesses. With respect to Settlement cases, this proposal will allow the settlement program to continue to accelerate the resolution of settlement cases for taxpayers with outstanding tax liabilities and accelerate the associated settlement amounts to the General Fund, as well as local jurisdictions and special taxing districts.

COSTS AND BENEFITS (BUDGET YEAR ONLY – FISCAL YEAR [2014-15])

New funding Continuation Redirection

COST \$ 4.3 million	REVENUE <i>(if applicable)</i> \$ 92 million (Accelerated Revenue)
POSITIONS <i>(if applicable)</i> 26	COST SAVINGS <i>(if applicable)</i> \$ N/A

PREPARED AND APPROVED

PREPARED BY Amy Kelly	DIVISION CHIEF APPROVAL
AUTHOR'S TELEPHONE NUMBER (916) 323-2029	DATE 4-3-13

ACTION

Concept Approved Request Denied

EXECUTIVE DIRECTOR *(signature)*


Fiscal Year [2014-15]

TITLE OF PROPOSAL

Fire Prevention Fee

DIVISION PRIORITY NUMBER

PROGRAM IMPACTED

Fire Prevention Fee Program

SUMMARY OF REQUEST *(including impact if request denied)*

This proposal requests permanent funding in various Departments within the BOE for the continuation of the Fire Prevention Fee (FPF) positions. The BOE received 56.5 two-year limited term positions during the FY 2012-13 Budget Process that are set to expire on June 30, 2014, to address workload associated with ABx1 29 State Responsibility Area (SRA) Fire Prevention Fee. ABx1 29 created a substantial workload the BOE cannot absorb. These positions are responsible for registering and maintaining feepayer accounts, issuing billings, processing payments, performing collection actions, issuing refunds, processing petitions, providing feepayer advisory services, and performing program support functions on behalf of the Department of Forestry and Fire Protection. Permanently funding these requested resources will allow the BOE to continue to perform mandated workload, provide high quality service to approximately 800,000 feepayers, and protect special fund revenue. Furthermore, the BOE will be evaluating the need for additional resources.

BACKGROUND/HISTORY

ABx1 29 (Chapter 8, Statutes of 2011, effective July 1, 2011) authorized a fee to be assessed on habitable structures located within SRAs in order to pay for fire prevention activities in the SRA that specifically benefit owners of the structures within the SRA. The bill required the BOE to assess and collect the SRA Fire Prevention Fee (FPF) on behalf of the Department of Forestry and Fire Protection. In response to the enacted legislation, the BOE submitted the FY 2011-12 State Responsibility Area Fire Prevention Fee Budget Change Proposal and obtained necessary resources to implement the new program. These resources were approved for a 2-year, limited term basis and are set to expire on June 30, 2014. However, due to the controversial nature of the fire prevention fee and complexity in administering the program, actual workload was vastly underestimated. The BOE requests permanent establishment of existing resources and additional resources (yet to be determined) to efficiently administer ABx1 29, SRA FPF.

STATE LEVEL CONSIDERATIONS *(including impact to other departments)*

The BOE is mandated by the provisions of ABx1 29 to administer the assessment and collection of the FPF from owners of habitable structures located within SRA, on behalf of the Department of Forestry and Fire Protection. The presence of habitable structures within state responsibility areas can pose an increased risk of fire ignition and an increased potential for fire damage with the state's wild lands and watersheds. The Legislature determined that the cost of fire prevention activities aimed at reducing the effects on habitable structures in state responsibility areas should be borne by the owners of these structures. The FPF are deposited into the State Responsibility Area Fire Prevention Fund which supports fire prevention activities in SRAs.

JUSTIFICATION *(including link to Strategic Plan)*

This request is consistent with the BOE's mission to serve the public through fair, effective, and efficient tax administration. Specifically, Goal 4: Enhance Operational Effectiveness through improved partnerships with other agencies. Additionally, this proposal will provide the necessary staff and resources on a permanent basis along with the need of additional resources to address mandated workload, provide for high quality service to feepayers, and administer the Fire Prevention Fee program in an efficient and effective manner.

COSTS AND BENEFITS (BUDGET YEAR ONLY – FISCAL YEAR [2014-15])

New funding Continuation Redirection

COST	REVENUE <i>(if applicable)</i>
\$ Pending	\$ Pending
POSITIONS <i>(if applicable)</i>	COST SAVINGS <i>(if applicable)</i>
Pending	\$ N/A

PREPARED AND APPROVED

PREPARED BY Chris Lee	DIVISION CHIEF APPROVAL Lynn Bartolo
AUTHOR'S TELEPHONE NUMBER (916) 327-7174	DATE 4/3/13

ACTION

Concept Approved Request Denied

EXECUTIVE DIRECTOR *(signature)*


Fiscal Year 2014-2015

TITLE OF PROPOSAL

Valuation Factors Studies for County-Assessed Properties

DIVISION PRIORITY NUMBER

PROGRAM IMPACTED

County Assessment Standards Program

SUMMARY OF REQUEST *(including impact if request denied)*

This proposal requests funding for County-Assessed Properties Division (CAPD) to establish and permanently fund 2.0 positions to conduct studies to update the valuation factors for non-production computer equipment, semiconductor manufacturing equipment, biopharmaceutical industry equipment, and fixtures previously adopted by the Board. Commencing with lien date January 1, 2015, values determined by use of these factors will no longer be rebuttably presumed the full cash value of that property unless the BOE conducts a review. It is essential that the BOE respond to changing environments and be proactive in conducting valuation studies to arrive at accurate factors to ensure equitable treatment and fairness to taxpayers in the assessment of personal property and fixtures and to promote assessment uniformity.

BACKGROUND/HISTORY

For locally assessed property, the Replacement Cost New Less Depreciation (RCNLD) indicator is the most widely used method of valuing business personal property and fixtures. Personal property is defined under current law as all property except real estate. A fixture is defined as an item of tangible property, the nature of which was originally personal property, but that is classified as realty for property tax purposes because it is physically or constructively annexed to realty with the intent that it remain annexed indefinitely. The assessment of personal property and most fixtures, for property tax purposes, is based on the fair market value of the property on each lien date. Pursuant to the mandate in section 401.5 to promote uniformity in appraisal practices and in assessed values throughout the state, the BOE annually publishes Assessors' Handbook Section 581 that is used as a guide by county assessors' staff in the mass appraisal of personal property and fixtures. Valuation factors are contained in this handbook.

STATE LEVEL CONSIDERATIONS *(including impact to other departments)*

The BOE is mandated by sections 15606 and 15608 of the Government Code to issue instructions to assessors to promote uniformity in property assessment throughout the state. Additionally, the BOE is mandated by section 401.5 of the Revenue and Taxation Code to promulgate guidance for county assessors to follow in valuing locally assessed property. CAPD has received requests from industry to conduct studies of satellite set top boxes, food processing equipment, wind turbines, and high-speed production printers. Conducting studies to derive factors for specific types of industry personal property and fixtures is integral to fulfilling the BOE's mandate to promulgate such guidance for county assessors to follow in valuing locally assessed property. The positions may also conduct other valuation factor studies.

JUSTIFICATION *(including link to Strategic Plan)*

This proposal is consistent with the mission statement adopted by the BOE that states, in part, the BOE will serve the public through fair, effective, and efficient tax administration and will interpret and apply tax and fee laws correctly, consistently, and fairly. This proposal is also consistent with the BOE's Strategic Plan. Specifically, this proposal conforms to: Part II, Goals and Objectives, Objective 4.1, Improve Partnerships, the BOE will continue working at local, state, and national levels to ensure equitable treatment for all taxpayers and property owners. The consequences of not receiving these positions would be that CAPD cannot conduct valuation factor studies, which results with a lack of uniformity in assessment. This also results in an increase in property tax appeals which are costly to industry and to local county assessors and are resolved on a case-by-case basis compared to valuation factor studies developed for use by all county assessors.

COSTS AND BENEFITS (BUDGET YEAR ONLY – FISCAL YEAR [2014-15])

New funding Continuation Redirection

COST	REVENUE <i>(if applicable)</i>
\$ \$351,000 in FY 2014-15, \$318,000 ongoing	\$ N/A
POSITIONS <i>(if applicable)</i>	COST SAVINGS <i>(if applicable)</i>
2.0	\$ N/A

PREPARED AND APPROVED

PREPARED BY	DIVISION CHIEF APPROVAL
Ladeena Ford	David Gau
AUTHOR'S TELEPHONE NUMBER	DATE
(916) 323-9486	4/8/13

ACTION

Concept Approved Request Denied

EXECUTIVE DIRECTOR *(signature)*


Fiscal Year [2014-15]

TITLE OF PROPOSAL

Intrusion Detection/Intrusion Prevention System - Information Security

DIVISION PRIORITY NUMBER

PROGRAM IMPACTED

All

SUMMARY OF REQUEST *(including impact if request denied)*

This request is to fund 3.0 positions needed to maintain the Intrusion Detection/Intrusion Prevention System (IDS/IPS) and monitor output from the logs and alerts. There will be 2.0 positions located in the Technology Services Department and 1.0 position located in the Information Security Office. The Board of Equalization (BOE) receives Federal Tax Information (FTI) from the Internal Revenue Service (IRS) which aids in the collection of over \$3 to \$5 million annually. The majority of FTI resides in Automated Compliance Management System (ACMS) which is housed at the OTech Data Center. In-house, the BOE has smaller amounts of FTI, which along with other data, is used to generate audit selection. In an IRS Safeguards Review Audit conducted in January of 2011, there were findings requiring the BOE to have additional devices and services in place to protect FTI on our internal network. Non-compliance to these findings would result in possible termination of the BOE's access to FTI and would put \$3 to \$5 million at risk.

BACKGROUND/HISTORY

Historically the bulk of the BOE's corporate taxpayer data has been kept at the OTech Data Center. In addition, public facing applications such as e-File are being housed at OTech. Due to rising costs for OTech services, and some delays in service, the BOE has been providing internal server space for some FTI and other confidential data. The security posture of the IRS and the State of California is increasing, and because the BOE has FTI on servers in-house we are being required by the IRS to specifically protect the data with IDS/IPS. This system monitors all network entry and exit points looking for specific activities that could indicate an attack or malicious activity. The IDS/IPS can both alert specified staff of the suspicious activity and logs the activity for further detailed analysis.

STATE LEVEL CONSIDERATIONS *(including impact to other departments)*

The purpose of the requested positions to support the IDS/IPS is consistent with the BOE policy to protect the confidentiality of taxpayer information. Although the request was as a result of an IRS audit, the system will further enhance the ability to protect FTI as well as confidential taxpayer information from unauthorized disclosure and is consistent with our strategic goals to enhance operational effectiveness by leveraging technology.

JUSTIFICATION *(including link to Strategic Plan)*

FTI directly assists the BOE in collecting \$3 to \$5 million in annual revenue. If FTI is not protected the BOE risks a possible data breach which would disclose confidential financial information for California taxpayers and business. Also, if the BOE does not protect FTI up to the requirements of the IRS, access to FTI may be taken away. This would result in loss of revenue currently being generated from FTI. Due to the complexity of this program it has been determined that redirection of staff is not an option.

COSTS AND BENEFITS (BUDGET YEAR ONLY – FISCAL YEAR [2014-15])

 New funding Continuation Redirection

COST \$ 473,000 the first year, \$421,000 a year ongoing	REVENUE <i>(if applicable)</i> \$ Protects \$3-5 million annually
POSITIONS <i>(if applicable)</i> 3.0	COST SAVINGS <i>(if applicable)</i> \$ N/A

PREPARED AND APPROVED

PREPARED BY Michael Barcena	DIVISION CHIEF APPROVAL
AUTHOR'S TELEPHONE NUMBER (916) 322-3185	DATE

ACTION

 Concept Approved Request Denied
EXECUTIVE DIRECTOR *(signature)*


Fiscal Year [2014-2015]

TITLE OF PROPOSAL

Headquarters Consolidation

DIVISION PRIORITY NUMBER

PROGRAM IMPACTED

All

SUMMARY OF REQUEST *(including impact if request denied)*

This proposal will fulfill the BOE's mission to serve the public through fair, effective, and efficient tax administration by consolidating and expanding facilities for efficient and effective business operations. Funding is requested to relocate the BOE Headquarters (HQ) and annex facilities into a consolidated location. The BOE has outgrown the 450 N Street building, resulting in the need for four annex locations, which impacts revenue generation. Since all five HQ locations are near capacity, this will impact the BOE's ability to add staff to address legislative mandates for revenue collection and enforcement efforts. It is necessary to consolidate the BOE's current offices into a single location that is scalable for growth and allows for the most efficient and effective business operations. The Department of General Services estimates costs of \$500,000 for site search development and feasibility analyses in FY 2014-15; no costs for FY 2015-16 as this is part of the construction phase. The BOE estimates \$1,450,000 in one time moving costs in FY 2016-17.

BACKGROUND/HISTORY

The 450 N Street building was designed to house 2,200 employees. The BOE's HQ operations currently require office space for approximately 3,150 employees. As a result, the BOE has been forced to move approximately 25 percent of the HQ operations to four different annex locations throughout the greater Sacramento area. The BOE HQ average 3-year annual growth trend is 118 PYs per year. As of FY 2012-13, the BOE has exceeded the design capacity of the 450 N Street facility and four annex locations. In addition to the inability to accommodate PY growth, operating the BOE HQ from five different locations has increased the BOE's operational costs to support additional infrastructures, information technology, and telecommunications.

STATE LEVEL CONSIDERATIONS *(including impact to other departments)*

In FY 10-11 the BOE collected \$53.7 billion dollars, approximately 34 percent of the State's revenue to support state and local government programs affecting all California citizens either directly or indirectly. Consolidation of the 450 N Street building and annex locations will allow the BOE to generate and process revenue more efficiently, protect the health and safety of employees, eliminate inefficiencies associated with managing operations across multiple annex locations, and accommodate future short-term and long-term growth. This will ensure the BOE's ability to meet future directives by the Legislature to generate necessary revenue for the State.

JUSTIFICATION *(including link to Strategic Plan)*

This proposal is consistent with the BOE's Strategic Plan:

- Goal 3: Invest in a Skilled, Motivated, and Diverse Workforce
- Goal 4: Enhance Operational Effectiveness

COSTS AND BENEFITS (BUDGET YEAR ONLY – FISCAL YEAR [2013-14])

New funding Continuation Redirection

COST	REVENUE <i>(if applicable)</i>
\$ 500,000 2014/15	\$ N/A
POSITIONS <i>(if applicable)</i>	COST SAVINGS <i>(if applicable)</i>
N/A	\$ N/A

PREPARED AND APPROVED

PREPARED BY	DIVISION CHIEF APPROVAL
Ashleigh Jennings	Christine Demes
AUTHOR'S TELEPHONE NUMBER	DATE
(916) 445-4452	March 22, 2013

ACTION

Concept Approved Request Denied

EXECUTIVE DIRECTOR *(signature)*


Headquarters Consolidation Overview

	FY 2014-15	FY 2015-16	FY 2016-17
Costs:	\$500,000	\$0	\$1,450,000
Tasks:	Site search development and feasibility analyses Submit Form 10 to DGS/DOF for approval Submit JLBC notification DGS negotiates for lease and construction start	Start construction	Initiate move

Fiscal Year 2014-15

TITLE OF PROPOSAL

CROS Project (Phase II) - Placeholder

DIVISION PRIORITY NUMBER

PROGRAM IMPACTED

All

SUMMARY OF REQUEST *(including impact if request denied)*

This is a placeholder for a 2014-15 Spring Finance Letter (SFL) or May Revise proposal to request funding and staffing resources for the CROS Project, Phase II. This second phase will fund (a) the services of the selected System Integrator (Vendor) that will be responsible for the design, development, testing, and operational implementation of the final CROS solution; and (b) the BOE staff and resources to monitor and liaison with the Vendor.

The second phase costs cannot be determined until the Vendor's work plan (including deliverables) are finalized and approved in the Contract Award process. The BOE does not have sufficient information to go forward with a standard Budget Change Proposal to be submitted to Department of Finance in September 2013. Therefore, the CROS Project requests approval of a 2014-15 SFL (or later) placeholder.

BACKGROUND/HISTORY

As approved through the Feasibility Study Report/Special Project Report process, the CROS Project will replace the BOE's existing mainframe-based revenue and collection data information systems, reengineer business processes; expand e-services, support data warehousing, improve analysis/reporting; and facilitate case management.

A 2012-13 SFL authorized funding and staffing for the the CROS Project's first phase. CROS's first phase includes development, issuance, and evaluation, of a Request for Proposal (RFP) to acquire the services of a System Integrator responsible for the design, development, testing, and implementation of the final CROS solution. Additionally, the SFL funded parallel initiatives related to data readiness and data interfaces that will mitigate risks and accelerate CROS development.

STATE LEVEL CONSIDERATIONS *(including impact to other departments)*

The BOE is responsible for generating a major portion of the funding of California's state and local government. The BOE administers 33 different tax and fee programs, which in Fiscal Year 2010-11, generated \$53.7 billion. Of this amount, \$41.7 billion provided 34% of all state government's revenues; the remaining \$12.0 billion was directly allocated to counties, cities, and special districts.

JUSTIFICATION *(including link to Strategic Plan)*

Through modernization of its legacy data information systems and operations reengineering, CROS is designed to significantly enhance the effectiveness and efficiency of the BOE's ability to maximize needed revenues. Adoption of this proposal advances the following of the BOE's strategic objectives:

Goal 1: Improve the Taxpayer Experience, Objectives 1.1 and 1.2

Goal 2: Maximizing Voluntary Compliance, Objectives 2.1, 2.2, and 2.3

Goal 3: Invest in a Skilled, Motivated and Diverse Workforce, Objective 3.2

Goal 4: Enhance Operational Effectiveness, Objectives 4.1, 4.2, 4.3

COSTS AND BENEFITS (BUDGET YEAR ONLY – FISCAL YEAR 2014-15)

New funding Continuation Redirection

COST \$ TBD	REVENUE <i>(if applicable)</i> \$ N/A
POSITIONS <i>(if applicable)</i> N/A	COST SAVINGS <i>(if applicable)</i> \$ N/A

PREPARED AND APPROVED

PREPARED BY Bill Meneguzzi	DIVISION CHIEF APPROVAL Eric Steen
AUTHOR'S TELEPHONE NUMBER (916) 445-5799	DATE 4/5/13

ACTION

Concept Approved Request Denied

EXECUTIVE DIRECTOR *(signature)*