

**BOE FY 2013-14 BUDGET CONCEPTS OVERVIEW**  
(as of 6-12-2012 - in 000's)

Budget Items	2013-14								2014-15								
	Budget Concepts	Pos.	Cost			Revenues			Benefit/ Cost Ratio	Pos.	Cost			Revenues			Benefit/ Cost Ratio
			GF	Other	Total	GF	Other	Total			GF	Other	Total	GF	Other	Total	
<b>Fuel Tax Swap Refund Workload</b>																	
This proposal requests permanent establishment of 2.0 Tax Auditor (TA) positions, 1.0 new Associate Tax Auditor (ATA) position and upgrade 2.0 Tax Technician III's (TTIII) to ATA positions in the Special Taxes Audit and Carrier Division to process unanticipated additional workloads resulting from the increased complexity and additional staff time devoted to processing some claims due to multiple tax rates of the Fuel Tax Swap. Permanent establishment of the requested resources will allow BOE to continue to provide high quality of service to taxpayers while protecting the Motor Vehicle Fuel Account revenue.	3.0	\$0	\$430	\$430	\$0	\$0	\$0	0	3.0	\$0	\$417	\$417	\$0	\$0	\$0	0	
<b>FI\$Cal Implementation Resources</b>																	
This proposal requests resources for BOE to effectively meet current and future business needs, and prepares BOE to interface with the FI\$Cal Project. The intent of this project is to reengineer the State business processes and integrate the agency's accounting, budgeting and procurement systems into a single system. BOE is currently scheduled for wave 1 deployment which begins in September, 2012, with implementation expected July 1, 2013.				Pending				Pending				Pending				Pending	
<b>Headquarters Consolidation</b>																	
This proposal requests funding to relocate 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 our operations. The BOE's HQ needs a new facility to consolidate our current offices into a single location that is scalable for growth and allows for the most efficient and effective business operations.		\$263	\$237	\$500	N/A	N/A	N/A	N/A		\$0	\$0	\$0	N/A	N/A	N/A	N/A	
<b>Accounts Receivable Growth</b>																	
This is a proposal to add collectors to the BOE's, Sales and Use Tax Department's (SUTD) collection program to address the growth in the accounts receivable (AR). BOE has been taking a proactive approach over the past four years to implement strategies to address the growing AR balance. These efforts have increased revenue year after year, but more still needs to be done. To allow the BOE to successfully combat the effects of the worsening economy and further reduce the tax gap, the BOE requires an increase in its collection staff, so that it (BOE) can proactively expand upon its current collection, and implement bold new strategies.				Pending				Pending				Pending				Pending	
<b>Special Taxing Jurisdictions Increased Workload</b>																	
This proposal requests additional staff for the Sales and Use Tax Department's (SUTD) audit and collection program for the implementation of the new STJs. Fifteen new STJs have been passed over the past year and an additional 20 STJs are proposed on the November 2012 ballot.				Pending				Pending				Pending				Pending	
<b>TOTALS</b>	3.0	\$263	\$667	\$930	\$0	\$0	\$0	-	3.0	\$0	\$417	\$417	\$0	\$0	\$0	-	

**Fiscal Year [2013-14]**

TITLE OF PROPOSAL

Fuel Tax Swap Refund Workload

DIVISION PRIORITY NUMBER

2

PROGRAM IMPACTED

Transportation Tax Fund

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

This proposal requests permanent establishment of 2.0 Tax Auditor (TA) positions, 1.0 new Associate Tax Auditor (ATA) position and upgrade 2.0 Tax Technician III's (TTIII) to ATA positions in the Special Taxes Audit and Carrier Division. BOE received 2.0 limited-term (LT) TA positions in July 2011 that will expire June 30, 2013, to meet expected increased workloads in diesel fuel tax refunds resulting from the annual rate changes imposed by the fuel tax swap. BOE's prior request did not anticipate additional workloads resulting from the increased complexity and additional staff time devoted to processing some claims due to multiple tax rates. The 2.0 upgraded ATAs will work the most difficult user claims, 2.0 upgraded TAs will work the most difficult ultimate vendor claims, and 1.0 ATA will be added to meet increased workload of supplier claims. Permanent establishment of the requested resources will allow BOE to continue to provide high quality of service to taxpayers while protecting the Motor Vehicle Fuel Account revenue.

BACKGROUND/HISTORY

In fiscal year 2010-11, the BOE submitted Spring Finance Letter #1 "Fuel Tax Swap" to implement ABx8-6 and SB-70 (Fuel Tax Swap.) Under the Diesel Fuel (DF) Tax Law a person who makes exempt sales or uses tax paid fuel in a non-taxable manner may claim a refund for that sale or use. The annual adjusting of the DF tax rate as a result of the Fuel Tax Swap legislation increased the complexity of processing claims for refund. Each claim now requires additional detail and scrutiny to determine the period that the exempt fuel, that was sold or used in a non-taxable manner, was purchased to determine the applicable tax rate to be used to calculate the refund. Some of these refunds have statutory requirements for the refunds to be processed in 20 days from the date of receipt of the claim. These resources are necessary to address the on-going workload resulting from the Fuel Tax Swap.

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

The BOE is statutorily mandated to administer the Diesel Fuel Tax program. These positions will ensure the taxpayers do not suffer adverse cash flow due to the delay in processing the claims for refund on tax paid diesel fuel that cannot be recovered on the sale to a consumer. These positions will further protect the Transportation Tax Program by ensuring refund amounts are accurate and fully supported, and will allow the BOE to meet its statutory requirement to process claims in 20 days. The funds from the diesel fuel tax are used to fund highway and transit projects.

JUSTIFICATION *(including link to Strategic Plan)*

This request is consistent with BOE's mission to serve the public through fair, effective, and efficient tax administration. Specifically, this proposal allows the BOE to: 1) Respond quickly and effectively to new tax and fee programs and changes in existing programs, 2) Be fair and objective in its treatment of all taxpayers and consistent in its administration of the law, 3) Be persistent in promoting and encouraging voluntary compliance with the tax laws, 4) Provide convenient, timely access to accurate information while ensuring the continued integrity of its operations and confidentiality of taxpayer information. The approval of permanent funding of the 2.0 Tax Auditor positions and the addition of 3.0 Associate Tax Auditor positions (1.0 new and 2.0 upgrades from TT III) will allow BOE to perform the additional workload related to Fuel Tax Swap legislation.

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

New funding     Continuation     Redirection

COST	REVENUE <i>(if applicable)</i>
\$ 430,000 first year, \$417, 000 ongoing (Special Fund)	\$
POSITIONS <i>(if applicable)</i>	COST SAVINGS <i>(if applicable)</i>
3.0	\$

**PREPARED AND APPROVED**

PREPARED BY	DIVISION CHIEF APPROVAL
Chris Lee	Lou Feletto
AUTHOR'S TELEPHONE NUMBER	DATE
(916) 327-7174	(916) 323-9401

**ACTION**

<input type="checkbox"/> Concept Approved <input type="checkbox"/> Request Denied	EXECUTIVE DIRECTOR <i>(signature)</i>
	

## Fiscal Year [2013-14]

## TITLE OF PROPOSAL

FI\$Cal Implementation Resources

## DIVISION PRIORITY NUMBER

3

## PROGRAM IMPACTED

Administration

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

This proposal requests resources for BOE to effectively meet current and future business needs, and prepares BOE to interface with the FI\$Cal Project. FI\$Cal is a partnership with the Department of Finance, Department of General Services, the State Controller's Office, and the Treasurer's Office. The intent is to reengineer the State business processes (budgeting, accounting, procurement, cash management, financial management, financial reporting, cost accounting, asset management, project accounting, grant management and human resources management). Implementation of FI\$Cal would integrate the agency's accounting, budgeting, and procurement systems into a single system. BOE is included in the first year of system deployment, FY 2013-14, preceded by two years of planning and followed by one year of stabilization after deployment. The Governor's FY 2009-10 to 2011-12 Budgets have included resources for the project; however, other resources are being refined as part of the Project planning and preparation effort.

## BACKGROUND/HISTORY

The FI\$Cal Project timeline called for funding in the Governor's FY 2008-09 Budget, initial planning and a proposed solution to the Legislature by 2010, implementation (design, build, and test) from 2010 to 2012, and Wave One deployment (includes BOE) in 2012. The Project has explored alternatives approaches to implementing FI\$Cal through Special Project Reports and the development and submission of the Legislative Report in February 2012 in compliance with Government Code 15849.21. BOE staff will participate in the design phase Wave One starting September 2012. The Wave One deployment will only be a subset of the Full Enterprise Resource Planning functionality that will be available to a small set of departments. At the same time, the full functionality of the FI\$Cal solution will be implemented in Wave Two (starting in July 2013).

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

To facilitate effective decision-making, the State, and BOE, must be able to provide current and accurate financial management information in the most efficient and effective way to taxpayers, the public, the Legislature/Legislative Analyst's Office, Department of Finance, BOE management/staff and other customers and stakeholders. Only through a major business process transformation such as called for by the FI\$Cal Project will the transparency of financial management information be possible.

JUSTIFICATION *(including link to Strategic Plan)*

BOE is assuming a 25% impact to production during the deployment of Fi\$Cal. The impact will affect accounting, budgets and procurement, as well as the technology services division that supports various subsystems which will be impacted. The resources requested in this proposal are to mitigate the impact on production and provide a smooth transition to the new Fi\$Cal system. Dual systems will be run initially as testing is completed on the new system. Staff will be needed to maintain both the old and the new systems. Additional workload will be created by having to enter data and journal entries into both the new system as well as the old systems and perform reconciliations between the new system and existing legacy systems continuously. Also, data contained in the old legacy systems will need to interface with the new system, so programming changes will be required.

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

New funding       Continuation       Redirection

## COST

\$ Pending

REVENUE *(if applicable)*

\$ Pending

POSITIONS *(if applicable)*

Pending

COST SAVINGS *(if applicable)*

\$ Pending

## PREPARED AND APPROVED

## PREPARED BY

Alvin Bautista/David Sills

## DIVISION CHIEF APPROVAL

Edna Murphy

## AUTHOR'S TELEPHONE NUMBER

(916) 445-1173 (916) 323-2535

## DATE

06-07-12

## ACTION

Concept Approved       Request Denied

EXECUTIVE DIRECTOR *(signature)*


**Fiscal Year [2013-2014]**

TITLE OF PROPOSAL

Headquarters Consolidation

DIVISION PRIORITY NUMBER

4

PROGRAM IMPACTED

Headquarters and Annex Locations

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

The overarching reasons for this proposal will fulfill the BOE mission to serve the public through fair, effective, and efficient tax administration by consolidating and expanding facilities for efficient and effective business operations. This proposal requests funding to relocate 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 our operations. 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. The BOE's HQ needs a new facility to consolidate our 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 will be expended in FY 2013-14; no costs for FY 2014-15 as this is part of the construction phase. For FY 2015-16 the BOE estimates costs between \$7.05 – 16.05 million depending on the completion of construction and the phased move in schedule. See Attachment A.

BACKGROUND/HISTORY

The 450 N Street building was designed to house 2,200 employees. The BOE's HQ operation currently requires office space for approximately 3,100 employees. As a result, the BOE has been forced to move approximately one-fourth of the HQ operations to four different annex locations throughout the greater Sacramento area. The BOE HQ average 3-year annual growth trend is 78 PYs per year. As of FY 2012-13, BOE has exceeded the design capacity of the 450 N Street facility and the four annex locations. In addition to the inability to accommodate PY growth, operating the BOE HQ out of five locations has increased the BOE operational costs to support additional infrastructures, information technology, and telecommunications.

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

In FY 09-10, BOE collected \$50.7 billion dollars, approximately one-third of the State's revenue which supports 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 much needed revenue for the State.

JUSTIFICATION *(including link to Strategic Plan)*

This proposal is consistent with the BOE 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 12/13)**

New funding     Continuation     Redirection

COST \$500,000 2013/14	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 Ashleigh Jennings	DIVISION CHIEF APPROVAL Christine Demes
AUTHOR'S TELEPHONE NUMBER (916) 445-4452	DATE 6-5-2012

**ACTION**

Concept Approved     Request Denied

EXECUTIVE DIRECTOR *(signature)*



## Headquarters Consolidation Cost Estimates

FY 13-14	FY 14-15	FY 15-16
<ul style="list-style-type: none"> <li>• Site Search development and feasibility analyses.</li> </ul>	<ul style="list-style-type: none"> <li>• Start construction</li> </ul>	<ul style="list-style-type: none"> <li>• Initiate Moves \$1,450,000</li> </ul>
<ul style="list-style-type: none"> <li>• Submit Form 10 to DGS/DOF for approval</li> </ul>		<ul style="list-style-type: none"> <li>• Estimated rent increase \$5.6 - 14.6 million</li> </ul>
<ul style="list-style-type: none"> <li>• Submit JLBC Notification</li> </ul>		
<ul style="list-style-type: none"> <li>• DGS negotiates for lease and construction start</li> </ul>		
\$500,000		\$7,050,000 - \$16,050,000 <u>a/</u>

a/ For FY 2015-16 the BOE estimates costs between \$7.05 – 16.05 million depending on the completion of construction and the phased move in schedule.

## Fiscal Year [2013-14]

## TITLE OF PROPOSAL

Accounts Receivable Growth

## DIVISION PRIORITY NUMBER

5

## PROGRAM IMPACTED

Sales and Use Tax Department

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

This is a proposal to add collectors to the BOE's, Sales and Use Tax Department's (SUTD) collection program to address the growth in the accounts receivable (AR). BOE has been taking a proactive approach over the past four years to implement strategies to address the growing AR balance. These efforts have increased revenue year after year, but more still needs to be done. To allow the BOE to successfully combat the effects of the worsening economy and further reduce the tax gap, the BOE requires an increase in its collection staff, so that it (BOE) can proactively expand upon its current collection, and implement bold new strategies.

## BACKGROUND/HISTORY

Over the past four years, California has suffered one of the worst economic downturns in decades. With this downturn the BOE's AR has increased 121 percent from \$904 million in fiscal year (FY) 2006-07 to \$2 billion in FY 2010-11. The primary causes of this AR increase are due to 1) the recession, 2) legislative changes that increase the taxpayer base, 3) collector staffing levels, 4) additional legislative fees added to existing AR balances, and 5) an increase in the underground economy and organized crime activity. California's tax system is based on the premise that each taxpayer will correctly determine the amount of taxes owed and remit the taxes to BOE. Voluntary compliance is the most effective and efficient method of collecting tax and is improved by demonstrating that tax administration is fair, equitable, and committed to ensuring compliance. When voluntary compliance cannot be obtained, collection staff follow policies and use collection tools to obtain assets owned by the taxpayer to satisfy the taxpayer's liability.

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

BOE collects taxes and fees that provide approximately 35.6 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, which, in FY 2009-10, produced \$50.7 billion for education, public safety, transportation, housing, health services, social services, and natural resource management.

This proposal addresses the Legislature's intent to reduce the sale and use tax gap, of which includes the existing AR. This proposal also 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)*

BOE must take a proactive approach to combat the growing AR. Additional positions added to the BOE's collection program will be able to handle increased workload related to: required phone calls to delinquent taxpayers, installment payment agreements to those who cannot pay their liability in full immediately, field calls, issuance of levies, wage garnishments, keeper warrants, till taps, and prosecutions. These positions will allow BOE to expand its current collection efforts and implement new strategies at reducing the AR.

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

New funding     Continuation     Redirection

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

## PREPARED AND APPROVED

PREPARED BY Michael Lee	DIVISION CHIEF APPROVAL
AUTHOR'S TELEPHONE NUMBER (916) 445-2806	DATE June 8, 2012

## ACTION

Concept Approved     Request Denied

EXECUTIVE DIRECTOR *(signature)*


## Fiscal Year [2013-14]

## TITLE OF PROPOSAL

Special Taxing Jurisdictions Increased Workload

## DIVISION PRIORITY NUMBER

6

## PROGRAM IMPACTED

Sales and Use Tax Department

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

This is a proposal to add staff to the BOE's, Sales and Use Tax Department's (SUTD) audit and collection program for the implementation of newly added Special Taxing Jurisdictions (STJs). Fifteen new STJs have been approved by voters in the past year (7 STJs in November 2011 and 8 STJs in June 2012). An additional 20 STJs are proposed on the November 2012 ballot. The State of California enacted its transit district tax program in 1970, which is now referred to as STJs, enacting a total of two (2) STJs. As of June 2012, there are a total of 147 STJs. BOE has requested staff in the past to handle these increases, in fiscal year (FY) 08-09, BOE requested 7.5 positions, but they were not approved. In FY 09-10, BOE requested 22.5 positions, but only 11 were approved. The continuous growth in the number of STJs has created additional workload that can not be absorbed.

## BACKGROUND/HISTORY

The existing statewide sales tax rate of 7.25% is comprised of the California Sales and Use Tax and the Bradley-Burns Uniform Sales and Use Tax Law. Under current law, voters within a local jurisdiction (city or county) can approve additional sales and use taxes within the boundaries of a specified geographical area (referred to as STJs). These taxes finance many local projects such as transportation, libraries, hospitals, police and fire protection, preserving open space, etc. STJs are charged fees by the BOE for administering their tax programs. The reimbursement provided to BOE for the cost to administer the STJs is based on a formula provided in Revenue and Taxation Code Section 7273, Charges for Administering the Taxes, however positions to address workload are not provided.

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

BOE collects taxes and fees that provide approximately 35.6 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, which, in FY 2009-10, produced \$50.7 billion for education, public safety, transportation, housing, health services, social services, and natural resource management.

This proposal is consistent with the BOE's mission to serve the public through fair, effective and efficient tax administration. Specifically, this proposal allows the BOE to treat existing and new STJs fairly and objectively. This proposal is also 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)*

BOE needs additional auditors and collectors to actively and accurately determine the correct amount of new district taxes due for the 15 recently voter-approved STJs (7 STJs approved on November 2011 ballot, 8 STJs approved on the June 2012 ballot) and the 20 additional STJs that will be voted on in November 2012. The additional estimated revenue is over \$111 million for the 15 new STJs. The fees associated with this additional revenue are approximately \$1.3 million. At this time, it is unknown what the additional revenue associated with the 20 new STJs on the November 2012 ballot will generate. BOE requires additional staff to actively administer the additional workload related to recently approved and pending STJs. If BOE does not receive adequate resources to administer the new STJs, BOE will have to redirect other revenue generating positions to meet its statutory obligation to administer the STJs.

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

New funding     Continuation     Redirection

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

## PREPARED AND APPROVED

PREPARED BY Michael Lee	DIVISION CHIEF APPROVAL
AUTHOR'S TELEPHONE NUMBER (916) 445-2806	DATE June 8, 2012

## ACTION

<input type="checkbox"/> Concept Approved <input type="checkbox"/> Request Denied	EXECUTIVE DIRECTOR <i>(signature)</i> 
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