

**BOE FY 2014/15 BUDGET CHANGE PROPOSALS DOF DECISIONS**  
(as of 08/08/2013 - in 000s)

Budget Items	2014/15					2015/16				
	BCPs	Positions	Total Cost	Revenue	Benefit/ Cost Ratio	Positions	Total Cost	Revenue	Benefit/ Cost Ratio	
Fire Prevention Fee	100.9	\$11,105 SF: \$11,105	\$90,800		8.2:1	100.9	\$9,361 SF: \$9,361	\$90,800		9.7:1
Southern California Appeals and Settlement Unit	26.0	\$4,312 GF: \$2,816 R: \$1,496	\$92,000		<sup>/a</sup> 21.3:1	26.0	\$4,221 GF: \$2,757 R: \$1,464	\$92,000		<sup>/a</sup> 21.8:1
Headquarters Facility Consolidation	0.0	\$500 GF: \$253 S: \$117 R: \$130	\$0		N/A	0.0	\$0	\$0		N/A
Valuation Factors Studies	2.0	\$367 GF: \$367	\$0		N/A	2.0	\$305 GF: \$305	\$0		N/A
<b>TOTAL</b>	<b>128.9</b>	<b>\$ 16,284</b>	<b>\$ 182,800</b>		<b>-</b>	<b>128.9</b>	<b>\$ 13,887</b>	<b>\$ 182,800</b>		<b>-</b>

<sup>/a</sup> \$92 million accelerated revenue annually

**STATE BOARD OF EQUALIZATION**



BOARD APPROVED

At the August 13, 2013 Board Meeting

Joann Richmond  
Joann Richmond, Chief  
Board Proceedings Division

GF: General Fund  
SF: Special Fund  
R: Reimbursement  
FF: Federal Fund

STATE OF CALIFORNIA  
**Budget Change Proposal - Cover Sheet**  
 DF-46 (REV 03/13)

Fiscal Year FY 2014-15	BCP No. 1	Org. Code 0860	Department State Board of Equalization	Priority No. 1
Program Property and Special Taxes			Element	Component N/A

Proposal Title  
 FIRE PREVENTION FEE

Proposal Summary  
 The Board of Equalization (BOE) requests \$11.1 million (Special Funds) and 100.9 permanent positions (continuation of 54.0 limited-term positions, set to expire June 30, 2014 and 46.9 new positions) in Fiscal Year 2014-15 and \$9.4 million (Special Funds) and 100.9 positions in FY 2015-16 and ongoing for the BOE to continue processing mandated workload associated with Assembly Bill (AB) x1 29 (Chapter 8, Statutes of 2011, effective July 1, 2011).

ABx1 29 imposed an annual fee to be assessed on habitable structures located within the State Responsibility Area (SRA) in order to pay for fire prevention activities in the SRA that specifically benefit owners of the structures within the SRA. Among its provisions, the bill required the BOE to assess and collect the SRA Fire Prevention Fee on behalf of the Department of Forestry and Fire Protection (CAL FIRE). ABx1 29 created a substantial workload that cannot be absorbed by the BOE. Revenues are anticipated to be approximately \$90.8 million annually with a cost-to-benefit ratio of 8.2 to 1.

Requires Legislation <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No	Code Section(s) to be Added/Amended/Repealed
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Does this BCP contain information technology (IT) components? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No <i>If yes, departmental Chief Information Officer must sign.</i>	Department CIO	Date
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For IT requests, specify the date a Special Project Report (SPR) or Feasibility Study Report (FSR) was approved by the California Technology Agency, or previously by the Department of Finance.

FSR  SPR Project No. Date:

If proposal affects another department, does other department concur with proposal?  Yes  No  
*Attach comments of affected department, signed and dated by the department director or designee.*

Budget Officer	Date	Chief, Financial Management Division	Date
Deputy Director, Administration	Date	Executive Director	Date

**Department of Finance Use Only**

Additional Review:  Capital Outlay  ITCU  FSCU  OSAE  CALSTARS  Technology Agency

BCP Type:  Policy  Workload Budget per Government Code 13308.05

PPBA Date submitted to the Legislature

**STATE BOARD OF EQUALIZATION**  
**State Responsibility Area Fire Prevention Fund Program**  
**Fire Prevention Fee**  
**Fiscal Year 2014-15**

**A. Proposal Summary**

The Board of Equalization (BOE) requests \$11.1 million (Special Funds) and 100.9 permanent positions (continuation of 54.0 limited-term positions, set to expire June 30, 2014 and 46.9 new positions) in Fiscal Year 2014-15 and \$9.4 million (Special Funds) and 100.9 positions in FY 2015-16 and ongoing for the BOE to continue processing mandated workload associated with Assembly Bill (AB) x1 29 (Chapter 8, Statutes of 2011, effective July 1, 2011).

ABx1 29 imposed an annual fee to be assessed on habitable structures located within the State Responsibility Area (SRA) in order to pay for fire prevention activities in the SRA that specifically benefit owners of the structures within the SRA. Among its provisions, the bill required the BOE to assess and collect the SRA Fire Prevention Fee on behalf of the Department of Forestry and Fire Protection (CAL FIRE). ABx1 29 created a substantial workload that cannot be absorbed by the BOE. Revenues are anticipated to be approximately \$90.8 million annually with a cost-to-benefit ratio of 8.2 to 1.

**B. Background/History**

The presence of habitable structures within the SRA can pose an increased risk of fire ignition and an increased potential for fire damage within the state's wild lands and watersheds. These structures within the SRA can also impair wild land firefighting techniques and could result in greater damage to state lands caused by wildfires. The Legislature determined that the cost of fire prevention activities aimed at reducing the effects on habitable structures in the SRA should be borne by the owners of these structures. ABx1 29 was passed by the Legislature and established the fire prevention fee to be assessed on owners of habitable structures within the SRA in order to pay for fire prevention activities in the SRA that specifically benefit owners of habitable structures within the SRA. ABx1 29 mandates the BOE to assess and collect the fire prevention fee from these owners.

In response to the enacted legislation, the BOE submitted FY 2011-12 BCP No. 6 - "State Responsibility Area Fire Prevention Fee." The BOE received limited-term funding and staffing resources, which are set to expire on June 30, 2014, to address workload associated with ABx1 29. These positions are responsible for performing compliance functions, initiating the appeals process, and working with CAL FIRE on various program and policy issues. However, the nature of the fire prevention fee added complexity to administering the program that had not been anticipated and the initial workload was vastly underestimated compared to actual workload and processing times. Funding was provided in FY 2012-13 to cover two billing cycles (FY 2011-12 and FY 2012-13). However, the second billing cycle for FY 2012-13 was delayed until July 2013. Due to the volume of workload and the complexity of administering the program, the BOE overspent in FY 2012-13 by \$1.7 million to cover one billing cycle alone. The BOE hired temporary help full time equivalents, contracted with the Franchise Tax Board for 24.0 key data operators, and utilized overtime to assist in processing over 750,000 fire prevention fee claims in a timely manner during the first cycle. Full time equivalent resources and overtime will again be used during FY 2013-14 for the FY 2012-13 billing. At this time, we are unsure if the funding provided for FY 2013-14 will be sufficient to even cover the FY 2012-13 billing. If it is determined that the FY 2013-14 billing will also take place in FY 2013-14, BOE will again face a deficiency in administering this program.

The BOE requests 100.9 permanent positions (continuation of 54.0 limited-term and 46.9 new positions, including temporary help full time equivalents) to efficiently administer ABX1 29, State Responsibility Area Fire Prevention Fee and provide high quality customer service and protect special fund revenues.

**Resource History**  
(Dollars in thousands)

<b>Program Budget</b>	<b>2012-13</b>	<b>2013-14</b>
Authorized Expenditures	\$6,356	\$5,927
Actual Expenditures	\$8,048	N/A
Revenues	\$77,000	\$88,900
Authorized Positions	54.0	54.0
Filled Positions <sup>1/</sup>	95.6	73.9
Vacancies	-41.6	-19.9

<sup>1/</sup>Includes temp help full time equivalents and key data operators loaned from FTB utilized to process the Fire Fee.

**Workload History**

<b>Workload Measure</b>	<b>Est. FY 2012-13<sup>1/</sup></b>	<b>Est. FY 2013-14</b>	<b>Est. FY 2014-15</b>
Account Maintenance Transactions	87,517	72,535	72,535
Billings Issued	780,000	750,000	750,000
Refunds Issued	27,077	19,740	19,740
Phone Advisory/Feepayer Inquiries	231,200	212,000	212,000
Petitions Received	91,028	61,708	61,708

<sup>1/</sup> Estimate based on actual data from August 6, 2012 to June 7, 2013

### C. State Level Considerations

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. In FY 2010-11, the BOE administered taxes and fees produced \$53.7 billion for education, public safety, transportation, housing, health services, social services, and natural resource management. The BOE administers the state's sales and use tax, fuel, alcohol, tobacco, and other taxes and collects fees that fund specific state programs. More than one million businesses are registered with the agency.

The BOE is mandated by the provisions of ABx1 29 to administer the assessment and collection of the fire prevention fee from owners of habitable structures located within the SRA, on behalf of the Department of Forestry and Fire Protection (CAL FIRE). Additionally, the fees are deposited into the State Responsibility Area Fire Prevention Fund which supports fire prevention activities in SRAs.

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.

### D. Justification

The BOE is responsible for administering the Fire Prevention Fee (FPF) program. The BOE registers accounts, issues billings and collects the fee from approximately 750,000 fee payers on a yearly basis. The BOE's ongoing work for this program includes receiving the annual billing list from CAL FIRE; registering new fee payers for the billing year; maintaining fee payer accounts; providing program advisory information to fee payers; researching bad mailing addresses; researching for purposes of collecting on past due fee billings; receiving and tracking fee payer petitions for redetermination and claims for refund; forwarding non-duplicate petitions and claims to CAL FIRE for consideration; reconcile accounts with the State Controller's Office, process revenue documents and fund adjustments, process refunds, reconcile bank deposits, report revenue to control agencies and the BOE units, processing petitions and claims after they have been reviewed and resolved by CAL FIRE; performing mail, cashing, and key data functions; maintaining and updating a program informational web page; developing written program materials; and, providing system maintenance and support for the Integrated Revenue Information System (IRIS) and

Automated Compliance Management System (ACMS) computer systems. This ongoing workload related to the FPF program cannot be absorbed by the BOE.

Due to the nature of the fee and extensive fee payer outreach required to handle the inconsistencies and errors related to the data used to identify the fee payers, the BOE underestimated workload involved with collecting and administering the FPF program. Generally, the BOE administers tax and fee programs associated with business entities or business operations, not private citizens who may not have the same level of agency recognition; are unfamiliar with the assessment and billing practices employed routinely within the business community; and, may not be keeping themselves apprised of statutory changes affecting them to the degree that our retailers and other registrants do. Additionally, the volume of errors and inconsistencies contained within the data provided to determine those individuals responsible for payment of the fee was not anticipated. The volume and duration of phone calls was not adequately projected. Also, the volume of returned mail and research required to identify payments and apply them to the appropriate accounts was underestimated and resulted in additional delinquency notices being mailed which in turn caused additional phone calls. The BOE has implemented changes to processing procedures that will result in achieving greater efficiency (i.e., use of colored payment envelopes, vouchers with account information to accompany payments, etc.); however, even accounting for improved processing efficiencies, additional resources will be necessary.

The requested resources will allow the BOE to timely and appropriately address workload that was underestimated in the original BCP. This resource request is based on known workloads from the first billing cycle and accounts for expected processing efficiencies. The request includes temporary help to acknowledge that workloads will become more manageable over time. Temporary help will be used to the extent that workloads demand it, whether seasonal or annualized. The following is a summary of the requested positions and blanket funds necessary to efficiently and effectively administer the FPF program.

	FY 2014-15	FY 2015-16	FY 2016-17
<i>Classification</i>			
<b>Administration Department</b>			
<b>Mail Services</b>			
Mailing Machine Operator II	0.5	0.5	0.5
Office Assistant (General)	0.5	0.5	0.5
<b>Tax Revenue Branch</b>			
Office Assistant (General)	2.0	2.0	2.0
Key Data Operator	3.0	3.0	3.0
<b>Administration Overhead</b>			
Personnel Specialist	1.0	1.0	1.0
<b>Administration Accounting</b>			
Accountant Trainee	0.5	0.5	0.5
<b>Administration Subtotal</b>	<b>7.5</b>	<b>7.5</b>	<b>7.5</b>
<b>Executive Department</b>			
<b>Technology Services Division</b>			
Staff Programmer Analyst (Spec.)	2.0	2.0	2.0
Staff Information Systems Analyst (Spec.)	1.5	1.5	1.5
<b>Technology Services Division Overhead</b>			
Senior Information Systems Analyst (Spec.)	1.0	1.0	1.0
<b>Executive Subtotal</b>	<b>4.5</b>	<b>4.5</b>	<b>4.5</b>
<b>External Affairs Department</b>			
Tax Technician II	2.0	2.0	2.0
Tax Technician III	0.5	0.5	0.5
<b>External Affairs Subtotal</b>	<b>2.5</b>	<b>2.5</b>	<b>2.5</b>
<b>Property and Special Taxes Department</b>			
Office Assistant (General)	2.0	2.0	2.0
Tax Technician II	4.0	4.0	4.0
Tax Technician III	7.0	7.0	7.0
Business Taxes Representative	13.5	13.5	13.5
Business Taxes Compliance Specialist	3.0	3.0	3.0
Business Taxes Administrator I	3.0	3.0	3.0
Tax Technician III	4.0	4.0	4.0
Associate Tax Auditor	1.0	1.0	1.0
Business Taxes Specialist I	2.0	2.0	2.0
Supervising Tax Auditor II	1.0	1.0	1.0
Business Taxes Specialist II	1.0	1.0	1.0
Tax Technician II	3.0	3.0	3.0
Tax Technician III	6.0	6.0	6.0
Business Taxes Representative	5.5	5.5	5.5
Business Taxes Compliance Specialist	1.0	1.0	1.0
<b>Property and Special Taxes Subtotal</b>	<b>57.0</b>	<b>57.0</b>	<b>57.0</b>
<b>Temporary Help</b>	<b>29.4</b>	<b>29.4</b>	<b>29.4</b>
<b>Grand Total</b>	<b>100.9</b>	<b>100.9</b>	<b>100.9</b>

The lack of funding for these resources would severely impact the BOE's ability to address these mandated ongoing workloads and will result in backlogs, delays in processing petitions and depositing payments into the fund.

#### E. Outcomes and Accountability

This proposal will be implemented July 1, 2014. The outcomes identified in this BCP and associated revenue will be measured by the number of billings issued and collections of these billings. Statistical reports that provide detailed and summarized billing and collection information are currently in place and

are reported on a weekly, monthly, and yearly basis to management and other stakeholders. The program's supervisory team will maintain control and provide oversight of the program operations.

**Projected Outcomes**

<b>Workload Measure</b>	<b>FY 2012-13</b>	<b>Est. FY 2013-14</b>	<b>Est. FY 2014-15</b>
Billings Issued	780,000	750,000	750,000
Estimated Revenue <sup>1/</sup>	\$77,000,000	\$88,900,000	\$90,800,000

<sup>1/</sup> These estimated revenues are provided by CAL FIRE.

DRAFT

## F. Analysis of All Feasible Alternatives

### **Alternative 1 – Provide permanent funding for 100.9 positions (54.0 existing limited-term positions and 46.9 new positions) and resources to administer the FPF program.**

Alternative 1 requests \$11.1 million and 100.9 permanent positions (continuation of 54.0 expiring limited-term positions and 46.9 new positions) in FY 2014-15; and \$9.4 million and 100.9 positions in FY 2015-16 and ongoing to continue processing mandated workload associated with the FPF program.

#### **Pros:**

- Provides the necessary resources for the efficient administration of the FPF program.
- Ensures the fair and effective administration of the SRA FPF by assessing and collecting the fee from all obligated fee payers.
- Provides for highest level of service to fee payers.
- Provides permanent funding for the protection of SRA Fire Prevention Fund by ensuring compliance with the law.

#### **Cons:**

- Increases expenditures from the SRA Fire Prevention Fund.

### **Alternative 2 – Provide permanent funding for 54.0 limited-term positions that will expire June 30, 2014 and approve 3 year limited-term funding for the 46.9 new positions.**

Alternative 2 requests \$11.1 million in FY 2014-15 and \$9.4 million in FY 2015-16 and FY 2016-17 for the conversion of 54.0 expiring, limited-term positions to permanent, and approve 46.9 new positions on a 3 year limited-term.

#### **Pros:**

- Addresses the immediate need for additional resources required to handle workload associated with FPF Program.
- Temporarily ensures the fair and effective administration of the SRA FPF by assessing and collecting the fee from all obligated fee payers.
- Temporarily provides for highest level of service to fee payers.

#### **Cons:**

- The FPF program is permanent, but under this alternative some of the resources to administer the program are limited-term.
- Provides some necessary resources for the fair, efficient, and effective administration of the FPF program.
- Creates a deficiency each year to administer the Fire Prevention Fee.
- Provides some level of service to fee payers.

### **Alternative 3 – Provide funding for 54.0 positions (existing limited-term positions) and approve 46.9 new positions for a 3 year limited-term basis.**

Alternative 3 requests \$11.1 million in FY 2014-15; \$9.4 million in FY 2015-16 and FY 2016-17 for the continuation of 54.0 expiring limited-term positions and 46.9 new positions on a 3 year limited-term basis.

#### **Pros:**

- Addresses the immediate need for additional resources required to handle workload associated with FPF Program.
- Temporarily ensures the fair and effective administration of the SRA FPF by assessing and collecting the fee from all obligated fee payers.
- Temporarily provides for highest level of service to fee payers.

**Cons:**

- The FPF program is permanent, but under this alternative the resources to administer the program are limited-term, which can cause difficulties in recruitment for these positions.
- Provides temporary funding for the protection of the SRA Fire Prevention Fund by ensuring compliance with the law.
- Increases expenditures from the SRA Fire Prevention Fund.

**G. Implementation Plan**

Date (approximate)	Activity
July 2014 and ongoing	Advertise, hire and train new staff
	Receive annual billing list from CAL FIRE
	Review/Analyze/Load billing list
	Generate billings
	Continue Compliance workload: <ul style="list-style-type: none"> <li>• Registration updates</li> <li>• Account Maintenance/Close-outs</li> <li>• Advisory Service</li> <li>• Collections</li> </ul>
	Continue to process petitions and issue refunds in coordination with CAL FIRE

**H. Supplemental Information** (Check box(es) below and provide additional descriptions.)

- None    
  Facility/Capital Costs    
  Equipment    
  Contracts    
  Other \_\_\_\_\_

**I. Recommendation**

**Alternative 1 is recommended.**

Alternative 1 is recommended and provides necessary staff and resources on a permanent basis to efficiently and effectively administer the FPF program in the collection of the fee for disbursement into the State Responsibility Area Fire Prevention Fund.

**Administration Department****Mail Services Branch****Office Assistant - 0.5 expiring limited-term position to permanent.**

The permanent establishment of 0.5 Office Assistant position, effective July 1, 2014. The Office Assistant (OA) position is responsible for receipt and opening of incoming mail.

	<b>Budget Year</b>				
<b>Classification</b>	<b># Items Annually</b>	<b>Hours per Item</b>	<b>Total Hours</b>	<b>PYs Required</b>	<b>Staffing Request</b>
<b>Office Assistant (General)</b>					
Receive and Open Mail	1,100,750	0.048	881		
<b><u>Resources Required</u></b>			<b>881</b>	<b>0.5</b>	<b>0.5</b>

**Mailing Machines Operator II – 0.5 expiring limited-term position to permanent.**

The permanent establishment of 0.5 Mailing Machines Operator II position, effective July 1, 2014. The Mailing Machines Operator II position is responsible for the processing of outgoing mail.

	<b>Budget Year</b>				
<b>Classification</b>	<b># Items Annually</b>	<b>Hours per Item</b>	<b>Total Hours</b>	<b>PYs Required</b>	<b>Staffing Request</b>
<b>Mailing Machine Operator II</b>					
Inserting Mail	1,100,750	0.024	400		
Sorting Mail	1,100,750	0.023	550		
<b><u>Resources Required</u></b>			<b>990</b>	<b>0.6</b>	<b>0.5</b>

## Tax Revenue Branch

### Key Data Operator (KDO) – 3.0 expiring limited-term positions to permanent.

The permanent establishment of 3.0 Key Data Operator positions, effective July 1, 2014. Key Data Operators are responsible for accurately prepping and keying information from schedules and revenue documents from all tax and fee programs that are administered by the BOE. In order to ensure accuracy, keying is also verified.

The keyed information will be electronically transmitted to the IRIS data base.

Classification	Budget Year				
	# Items Annually	Minutes per Item	Total Hours	PYs Required (1)	Staffing Request
<b>Key Data Operator (KDO)</b>					
Input	9,563	17	2,710		
Verify	9,563	17	2,710		
<b>Resources Required</b>			<b>5,420</b>	<b>3.0</b>	<b>3.0</b>

(1) Footnotes: The Key Data Operator classification uses 1,350 hours for a PY. Per contract, KDOs are required to be given a five minute break every hour because of the high volume of keying.

### Office Assistant – 2.0 expiring limited-term positions to permanent.

The 2.0 Office Assistants, effective July 1, 2014, in the Cashiers Section are required to open, sort, prioritize, and batch documents and remittances that are received in the mail. The Office Assistants add the batches of documents to establish the total dollar amount for balancing purposes. They ensure that the total dollar amount for a batch of checks matches the total dollar amount for the corresponding batch of documents. They cautiously ensure that the check has all required information and that the numeric amount matches the legal, written amount. They also use NCR encoding equipment to process checks for the daily bank deposit.

Tax Revenue Branch Workload Detail					
Classification	Activity	Time Measure		Ongoing Activities	
		H = Hours	Time Per Occurrence	Occurrences (Batches) Per Year	Total Hours
Office Assistant	Open, Prep & Batch	H	0.3	11,250	3,346
	<b>Total Hours</b>				<b>3,346</b>
	<b>Total Number of Positions Needed</b>				<b>2.0</b>

**Administration Overhead**

This position is needed to support the additional positions requested in this proposal.

**Personnel Specialist – 1.0 permanent position**

<b>Time Measures – Personnel Specialist</b>					
<b>Classification</b>	<b>Activity</b>	<b>Hours Per Occurrence</b>	<b># of Employees</b>	<b>Occurrences Per Year</b>	<b>Total Hours Per Year</b>
<b>Personnel Specialist</b>	Attendance/Pay and Benefits	0.50	69.5	24	834.0
	Administrative Detail (Reports, Training, Correspondence)	0.21	69.5	12	175.1
	Employee Contact Time	0.60	69.5	12	500.4
	Appointment Maintenance	0.50	69.5	12	417.0
<b>Total PS Hours</b>					<b>1926.5</b>
<b>Total PS Positions Requested (1800 Hours per Positions)</b>					<b>1.1</b>

**Accounting Branch****Accountant Trainee – 0.5 expiring limited-term position to permanent.**

The permanent establishment of 0.5 Accountant Trainee effective July 1, 2014 to handle the increased accounting workload resulting from the FPF.

<b>Classification</b>	<b>Activity</b>	<b># Items Annually</b>	<b>Hours per Item</b>	<b>Total Hours</b>	<b>PYs Required (1)</b>	<b>Staffing Request</b>
Accountant Trainee						
	Reconcile accounts with State Controller's Office (SCO).	12	5	60		
	Compile year end info and financial statements	1	60	60		
	Post entries to GL and accounting registers	12	20	240		
	Process SCO journal entries	12	5	60		
	Process Revenue documents and fund adjustments	12	5	60		
	Process Refunds	12	5	60		
	Reconcile bank deposits	12	5	60		
	Prepare transmittals	12	20	240		
	Report revenue to control agencies and the BOE units	5	5	60		
<b>Resources required</b>				<b>900</b>	<b>0.5</b>	<b>0.5</b>

(1) Position based on 1,800 hour PY.

## Technology Services Division - Technology Services Department (TSD)

### Staff Programmer Analyst – 2.0 expiring limited-term positions to permanent.

Review of workload data indicates that the BOE will need to permanently establish 2.0 technology positions, effective July 1, 2014, to support computer system changes resulting from the FPF. TSD's time reporting and maintenance tracking systems show that, in fiscal year 2010-2011, staff allocated approximately 80,000 hours to system maintenance tasks and completed 2,662 maintenance requests (for all technology applications), an average of approximately 30 hours per request.

The BOE estimates that the expanded functionality resulting from the incorporation of the FPF into its existing legacy systems, the Integrated Revenue Information System and Automated Compliance Management System, will generate a minimum of 120 maintenance requests per year for system glitches, upgrades and enhancements. This increase in maintenance requests can be expected given the added complexity that will be introduced into these systems for the new functionality required by the regulations for this proposal.

It should be noted that the number of positions requested to support the new functionality conforms to industry standards. Studies have indicated that annual maintenance costs range from 15%-25% of the original system cost.<sup>1</sup> The requested positions represent approximately 21% of the total project development cost.

Hours per Maintenance Request by Classification and Function						
	Staff Programmer Analyst/Registration Systems			Staff Programmer Analyst/Corporate Financial Systems		
<u>Activity</u>	<u>Maintenance Requests/Yr</u>	<u>Hrs/Maintenance Request</u>	<u>Hrs/Activity</u>	<u>Hrs/Maintenance Request</u>	<u>Hrs/Activity</u>	<u>Total</u>
Maintenance Request Analysis	120	4.0	240	4.0	240	480
Design and Documentation	120	11.0	660	11.0	660	1,320
Construction	120	15.0	900	15.0	900	1,800
Total Hours			1,800		1,800	3,600
<b>Positions (1,800 Hours/PY)</b>			<b>1.0</b>		<b>1.0</b>	<b>2.0</b>

<sup>1</sup> Source: "The Economics of Software Maintenance in the Twenty First Century," by Capers Jones.

**Staff Information Systems Analyst – 0.5 expiring limited-term position to permanent.**

The permanent establishment of 0.5 Staff Information Systems Analysts, effective July 1, 2014, is requested to assist in computer systems and technology infrastructure that support the BOE's tax and administrative programs.

<b>Classification</b>	<b>Activity Description (Collectors)</b>	<b>Hours Per Occurrence</b>	<b># of Occurrences per Year</b>	<b>Total Hours</b>
Staff ISA	Troubleshoot Problems, User Support and Training	4	3.33	6.00
	Security Maintenance (Encryption, Virtual Private Network, etc.)	3	0.33	45.0
	Automated Collection Management System Maintenance	20	0.16	144.0
	Build Test and Maintain Computer Images	4	0.80	144.0
	Coordinate with Maintenance Efforts with System Coordinators	10	0.13	60.0
	Special Projects and Documentation	25	0.05	60.0
	Travel to Remote Locations	10	0.05	24.0
<b>Total Staff ISA Hours</b>				<b>1077.0</b>
<b>Total Staff ISA Positions</b>				<b>0.5</b>

**Staff Information Systems Analyst – 1.0 expiring limited-term position to permanent.**

The permanent establishment of 1.0 Staff Information Systems Analyst position, effective July 1, 2014, is requested. Review of workload data indicates that the BOE will need an additional 1.0 technology position to support System Integration testing and User System testing for computer system changes resulting from the Fire Prevention Fee. In fiscal year 2010-2011, staff allocated approximately 80,000 hours to system maintenance tasks and completed 2,662 maintenance requests (for all technology applications).

The BOE estimates that the expanded functionality resulting from the incorporation of the FPF into its existing legacy systems, the Integrated Revenue Information System and Automated Compliance Management System, will generate a minimum of 120 maintenance requests per year for system glitches, upgrades and enhancements. The expected increase in maintenance requests coupled with the added complexity that will be introduced into these systems for the new functionality required by the regulations for this proposal will require additional staff support for testing.

This effort includes complex definition of development issues and design, complex business impact analysis, coordination of changes and/or enhancements and integration analysis and maintenance of the FPF within the existing legacy systems, Integrated Revenue Information System and Automated Compliance Management System.

<b>Hours per Maintenance Request by Classifications and Function</b>				
	<b>Staff Information Systems Analyst/System Tester</b>			
<b><u>Activity</u></b>	<b><u>Maintenance Requests/Yr</u></b>	<b><u>Hrs/Maintenance Request</u></b>	<b><u>Hrs/Activity</u></b>	<b><u>Total</u></b>
Maintenance Request Analysis	120	2.0	240	240
System Test Design and Planning	120	5.0	600	600
System Test and Documentation	120	8.0	960	960
Total Hours			1,800	1,800
<b>Positions (1,800/PY)</b>			<b>1.0</b>	<b>1.0</b>

## Technology Services Division Overhead

This position is needed to support the additional positions requested in this proposal.

### Senior Information Systems Analyst (ISA) (Spec.) – 1.0 permanent position

<b>Workload Detail - Technology Services Division</b>					
<b>Time Measure</b>					
<b>Classification</b>	<b>Activity Description (Other)</b>	<b>Hours Per Occurrence</b>	<b># of Occurrences per Year</b>	<b># of New Positions</b>	<b>Total Hours</b>
Senior ISA	Troubleshoot Problems, User Support and Training	4	3.87	14.5	224.3
	Security Maintenance (Encryption, Virtual Private Network, etc)	3	0.47	14.5	20.3
	Build Test and Maintain Computer Images	4	1.07	14.5	61.9
	Coordinate with Maintenance Efforts with System Coordinators	10	0.13	14.5	19.3
	Special Projects and Documentation	25	0.05	14.5	19.3
	Travel to Remote Locations	5	0.04	14.5	2.9
	<b>Total SISA Hours</b>				
<b>Total SISA Positions</b>					<b>0.2</b>
<b>Time Measure</b>					
<b>Classification</b>	<b>Activity Description (Auditors)</b>	<b>Hours Per Occurrence</b>	<b># of Occurrences per Year</b>	<b># of New Positions</b>	<b>Total Hours</b>
Senior ISA	Troubleshoot Problems, User Support and Training	4	3.33	55.0	733.3
	Security Maintenance (Encryption, Virtual Private Network, etc)	3	1.07	55.0	176.0
	Build Test and Maintain Computer Images	4	0.80	55.0	176.0
	Coordinate with Maintenance Efforts with System Coordinators	10	0.13	55.0	73.3
	Special Projects and Documentation	25	0.05	55.0	73.3
	Travel to Remote Locations	10	0.16	55.0	88.0
	<b>Total SISA Hours</b>				
<b>Total SISA Positions</b>					<b>0.7</b>
<b>Time Measure</b>					
<b>Classification</b>	<b>Activity Description (Collectors)</b>	<b>Hours Per Occurrence</b>	<b># of Occurrences per Year</b>	<b># of New Positions</b>	<b>Total Hours</b>
Senior ISA	Troubleshoot Problems, User Support and Training	4	3.33	0.0	0.0
	Security Maintenance (Encryption, Virtual Private Network, etc)	3	0.33	0.0	0.0
	Automated Collection Management System Maintenance	20	0.16	0.0	0.0
	Build Test and Maintain Computer Images	4	0.80	0.0	0.0
	Coordinate with Maintenance Efforts with System Coordinators	10	0.13	0.0	0.0
	Special Projects and Documentation	25	0.05	0.0	0.0
	Travel to Remote Locations	10	0.05	0.0	0.0
	<b>Total SISA Hours</b>				
<b>Total SISA Positions</b>					<b>0.0</b>
<b>Grand Total Hours</b>					<b>1,667.9</b>
<b>Grand Total Positions</b>					<b>0.9</b>

## External Affairs Department

### Customer Service Center (formerly Taxpayer Information Section)

As a result of this legislation the BOE Customer Service Center (CSC) answered approximately 26,100 calls concerning the fire prevention fee, in the first year the program started. The CSC Tax Technicians provide fee payers calling the BOE 800 number with answers to their questions concerning the program and assistance needed for filing and paying their fees. The more difficult of these calls are handled utilizing Tax Technician III's. On average a Tax Technician handles 10,000 calls per year.

The tables below provide the estimated workload for these positions, effective July 1, 2014:

#### Tax Technician II – 2.0 expiring limited-term positions to permanent.

Workload Detail					
Classification	Activity	M = Minutes H = Hours	Time Measure		Ongoing Activities
			Time per Occurrence	Occurrences Per Year	Total Hours
Tax Technician II	Answering questions from customers who received notices with the Department's 800 number (750,000 assessments and 25,500 petition letters)	M	10	7,267	1,213
	Answering calls from customers who received information on Collections, Refunds and Denials with the BOE 800 number ( 75,650 notices)	M	10	6,052	1,009
	Assisting calls from customers receiving a demand letter or amount due with the BOE 800 number (65,280)	M	10	7,834	1,306
	Total Tax Technician II Hours				3,526
	<b>Total TT II Positions Needed (1,800 Hours/Position)</b>				<b>2.0</b>

## Tax Technician III – 0.5 expiring limited-term position to permanent.

Workload Detail					
Classification	Activity	M = Minutes H = Hours	Time Measure		Ongoing Activities
			Time per Occurrence	Occurrences Per Year	Total Hours
Tax Technician III	Answering questions from customers who received notices with the Department's 800 number ( 750,000 assessments and 25,500 petition letters)	M	10	1,488	248
	Answering calls from customers who received information on Collections, Refunds and Denials with the BOE 800 number (75,650 notice recipients)	M	10	1,514	252
	Assisting calls from customers receiving a demand letter or amount due with the BOE 800 number (65,280)	M	10	1,958	326
	Total Tax Technician III Hours				827
	<b>Total TT III Positions Needed (1,800 Hours/Position)</b>				<b>0.5</b>

## Property and Special Taxes Department

### Compliance Branch

The Compliance Branch (CB) is responsible for maintaining the registration records of fee payer accounts, providing program advisory to fee payers, processing billings returned as undeliverable, researching and updating registration information, reissuing billings, applying unapplied payments, taking collection actions on delinquent fees, processing requests for installment payment proposals, and requests for relief of interest and penalty.

During the first FPF billing cycle, CB underestimated the workload associated with the new program. These workloads consisted of, but were not limited to, the volume of returned mail due to a bad mailing address, unapplied or duplicate payments, fee payers requesting to make installment payments, and longer than expected phone calls with fee payers. The following resource requests are based on an estimated 750,000 billings issued and taken into account the procedural improvements made that will result in efficiencies. Workload estimates are based on actual occurrences and then adjusted for expected processing efficiencies. However, the workload is still greater than originally anticipated. CB is requesting 48.0 permanent positions (32.5 existing limited term and 15.5 new) to address mandated ongoing workload associated with the FPF program.

#### Office Assistant – 2.0 expiring limited-term positions to permanent.

The conversion of 2.0 expiring limited-term Office Assistant (OA) positions to permanent is requested. The OA handles routine phone calls, provides general program advisory service, routes phone calls, as well as filing and routing correspondence. The OA is also responsible for sorting and distributing incoming and returned mail; creating and maintaining taxpayer files; and scanning, indexing, and filing paper billings and delinquency notices. The table below summarizes the workload hours required by the OA:

Classification: Office Assistant	Time Measure		On-going Activities	
	M=Minutes H = Hours	Time Per Occurrence	Occurrences Per Year	Total Hours
Program Advisory Service	M	5	7,000	583
Program Administrative Support	M	5	45,000	3,750
Mail Sort and Distribution	M	60	237	237
<b>Total Hours</b>				<b>4,570</b>
<b>Total Positions Requested (2.0 existing)</b>				<b>2.0</b>

#### Tax Technician II – 4.0 expiring limited-term positions to permanent and 3.0 new permanent positions.

The conversion of 4.0 expiring limited-term Tax Technician II (TT II) positions to permanent and the establishment of 3.0 new permanent positions. TT II positions are requested in the Registration and Licensing Section within the CB. TT IIs are responsible for answering phones, providing program advisory service, and routing phone calls. The TT IIs are also responsible for updating fee payer account information when the ownership of structures has changed. TT IIs conduct research to verify ownership or locate better mailing addresses when mail is returned as undeliverable or when ownership is questionable. The TT IIs also perform account maintenance by updating and correcting addresses, phone numbers and name(s) of owner(s); and by closing accounts.

Due to the high volume of returned mail received and the research involved with locating better mailing address, an additional 3.0 TT II positions are being requested to handle mounting workload that cannot be absorbed with the current resources. The table below summarizes the workload hours required by the TT IIs:

Classification: Tax Technician II	Time Measure		On-going Activities	
	Activity	M=Minutes H = Hours	Time Per Occurrence	Occurrences Per Year
Program Advisory Service	M	10	14,000	2,333
Research Accounts	M	18	25,000	7,500
Account Maintenance	M	10	21,500	3,583
<b>Total Hours</b>				<b>13,416</b>
<b>Total Positions Requested ( 4.0 existing, 3.0 new)</b>				<b>7.0</b>

### Tax Technician III – 7.0 expiring limited-term positions to permanent and 6.0 new permanent positions.

The continuation of 7.0 expiring limited-term Tax Technician III (TT III) positions to permanent and the establishment of 6.0 new permanent positions are being requested to handle various tasks associated with the FPF program. The TT III positions will process ongoing workload in the Collections Sections and the Return Processing Section in the CB.

TT III positions in the Collections Section are responsible for responding to fee payer inquiries on notices of determination and delinquency notices and performing basic research on fee payers that are non-responsive to the delinquency notices. In addition, the TT IIIs also provide assistance to fee payers with installment payment arrangements. The TT IIIs perform account maintenance and review information on the BOE's Integrated Revenue Information System (IRIS) and inputting comments into the BOE's Automated Compliance Management System (ACMS).

TT III positions in the Return Processing Section are responsible for maintaining unapplied payments; reviewing, approving and processing requests for relief of penalty and/or interest; and refunding duplicate payments and overpayments of penalty and interest. They also maintain the billing file received from CAL FIRE and the resulting differences in IRIS. Due to the high percentage of erroneous information many billings had to be canceled and reissued after research yielded more accurate information. In both sections, the TT IIIs are also responsible for answering phones and providing program advisory services regarding the FPF program.

The table below summarizes the workload hours required by the TT IIIs:

Classification: Tax Technician III	Time Measure		On-going Activities	
	Activity	M=Minutes H = Hours	Time Per Occurrence	Occurrences Per Year
Program Advisory Service	M	8	70,000	9,333
Account Maintenance	M	7	42,000	4,900
Revenue Maintenance (payment review & research)	M	2	255,000	8,500
Cancel and Rebills, Manual Billings, Dishonored Payments	M	2	15,929	531
Payment Verification	M	5	6,381	532
<b>Total Hours</b>				<b>23,796</b>
<b>Total Positions Requested (7.0 existing, 6.0 new)</b>				<b>13.0</b>

### Business Taxes Representative – 13.5 expiring limited-term positions to permanent and 5.5 new permanent positions.

The conversion of 13.5 expiring limited-term Business Taxes Representative (BTR) positions to permanent and the establishment of 5.5 new positions are requested effective July 1, 2014. BTRs are required to provide advisory services involving telephone contact, correspondence, and/or billings. BTRs perform the majority of the collection activities and investigate the more complex registration and billing issues.

BTR staff in all three sections of CB experienced an extremely high volume of phone calls generated by the various notices and billings. The duration of the phone calls were longer than typical program advisory calls due to the opposition many fee payers had toward the FPF.

Staff was also required to review the fee payers' account information, answer questions, and disseminate information about the new fee and its requirements. Staff expects continued opposition and lengthy phone call times to continue.

BTR staff in the Collections Section is responsible for contacting fee payers for payment, performing basic research on those fee payers who are non-responsive, and place those who are unable to pay in full on installment payment plans. BTRs are also responsible for following up with fee payers who fail to make payments and for taking appropriate collection action on non-compliant fee payers. The following table summarizes the workload hours required by the BTRs:

Classification: Business Taxes Representative	Time Measure		On-going Activities	
	Activity	M=Minutes H = Hours	Time Per Occurrence	Occurrences Per Year
Program Advisory Service	M	10	112,159	18,693
AR Adjustments	M	10	2,178	363
Researching Complex Inquiries	M	30	975	488
Payment Research	M	30	156	78
Account Maintenance	M	10	9,035	1,506
Research Accounts	M	15	56,799	14,200
Collection Action	M	3	5,000	250
Installment Payment Arrangements	M	15	1,000	250
<b>Total Hours</b>				<b>35,828</b>
<b>Total Positions Requested (13.5 existing 5.5 new)</b>				<b>19.0</b>

### **Business Taxes Compliance Specialist – 3.0 expiring limited-term positions to permanent and 1.0 new permanent position.**

The conversion of 3.0 expiring limited-term Business Taxes Compliance Specialist (BTCS) positions to permanent and 1.0 new permanent position is requested effective July 1, 2014. The BTCS position performs the review and approvals of the compliance and collection functions and handles the largest and most difficult collection cases, including politically sensitive inquiries. The number of fee payers requesting relief of interest and penalty has increased dramatically since On-Line Relief Request (ORR) was implemented and made available on the BOE's website. The BTCS is also required to attend weekly program meetings to report findings as well as obtain information to disseminate to staff, efficiently train and guide compliance staff. The table below summarizes the workload hours required by the BTCSs:

Classification: Business Taxes Compliance Specialist	Time Measure		On-going Activities	
	Activity	M=Minutes H = Hours	Time Per Occurrence	Occurrences Per Year
Review and Approve Work Assignments	M	6	19,773	1,977
Act as Team Lead- delegate work assignments, train and guidance staff.	M	20	630	2,520
Research Returned Warrants, Appeals, and Petitions	M	30	1320	660
Program Support- creating reports, attending meetings	M	60	124	124
Program Advisory Service	M	20	6,317	2,106
<b>Total Hours</b>				<b>7,387</b>
<b>Total Positions Requested (3.0 existing 1.0 new)</b>				<b>4.0</b>

**Business Taxes Administrator I - 3.0 expiring limited-term positions to permanent.**

The conversion of 3.0 expiring limited-term Business Taxes Administrator I (BTA I) positions to permanent are requested effective July 1, 2014 to supervise the staff working the FPF program in each section of the CB. The BTA I is responsible for the full range of supervisory duties and oversight of staff performing FPF work. In addition to supervisory duties, The BTA I attends weekly meetings to report progress, provide updates and program statistics to management. Policies and procedures which result from these meetings are passed along to staff by the BTA I position.

Classification: Business Taxes Administrator I	Time Measure		On-going Activities	
	M=Minutes H = Hours	Time Per Occurrence	Occurrences Per Year	Total Hours
Supervisory				5,400
<b>Total Hours</b>				<b>5,400</b>
<b>Total Positions requested (3.0 existing)</b>				<b>3.0</b>

**Appeals and Data Analysis Branch (ADAB)**

ADAB handles the petition for redetermination (petition) and related refund workload associated with the FPF. Public Resources Code Section 4221 requires a fee payer to submit a timely petition to three agencies (the BOE, CAL FIRE and the Board of Forestry) and makes CAL FIRE responsible for deciding the outcome of each petition filed. The BOE's role in the petition process includes placing petitioned liabilities into petition status on the BOE's Integrated Revenue Information System (IRIS) so that collection activity is held in abeyance while CAL FIRE considers the petition, and subsequently issuing a Notice of Redetermination to the fee payer upon being advised of CAL FIRE's decision on the petition; making any adjustments authorized by CAL FIRE, and processing any associated refunds of amounts overpaid by fee payers.

ADAB staff also screen all petitions received by the BOE, and batch and forward petitions received to CAL FIRE for consideration by its appeals staff. Automated processes have been developed and placed into production that allow CAL FIRE to transmit information on those accounts which they have accepted petitions for and the resolution of the petition. However, the automation cannot address all situations and staff is required to manually work exceptions and other manual workloads.

CAL FIRE accepted 88,259 petitions during FY 2012/2013 (as of June 7, 2013). The acceptance of these petitions was submitted to the BOE by CAL FIRE, and was processed into the BOE IRIS using an automated method. 61,708 fee payers mailed correspondence directly to the BOE which were screened and evaluated using a manual process. All of the petitions received by the BOE must be screened to determine whether CAL FIRE has also received and accepted the petition. This is accomplished by checking each petitioned liability in IRIS. If the liability already indicates a petition status, the petition is logged and filed. If the liability is not in petition status, the petition is batched and sent to CAL FIRE for consideration. Of the 61,708 pieces of correspondence received, 25,857 represented duplicate petitions which were already in IRIS and were logged and filed. The remaining 35,851 pieces of correspondence were not found in IRIS and were batched and forwarded to CAL FIRE for their consideration as new petitions.

CAL FIRE electronically transmits their final decision on petitions to the BOE. ADAB staff then makes needed revenue adjustments, issues notices to fee payers, initiates refunds and moves payment(s). This is a combination of automated and manual work, as system generated exceptions require manual intervention to process the adjustments. ADAB is also responsible for maintenance, queuing and printing of refund schedules for transmittal of all FPF refunds to the State Controller's Office. Subsequently, ADAB staff researches

returned warrant inquiries, lost warrants and also prepares any needed reports pertaining to petitions and refunds filed.

The following staffing is required to meet the ongoing workloads within ADAB for this program:

**Tax Technician III (TT III) – 4.0 expiring limited-term positions to permanent.**

The conversion of 4.0 permanent TT III positions is requested to process ongoing petition and refund workload associated with the FPF. The TT III positions are responsible for recording each petition related correspondence received on an inventory log, screening and identifying these for new and duplicate petitions. For the potential new petitions, the TT III positions prepare letters to the fee payers acknowledging receipt of the fee payer's correspondence and informing the fee payer that the BOE is forwarding it to CAL FIRE, and organizes the non-duplicate petitions into batches to be mailed to CAL FIRE. Duplicate petitions are logged and filed. In addition, the TT III positions will be responsible for initiating refunds and moving payments between related accounts identified by CAL FIRE. The TT III positions will also provide assistance in performing various IRIS entries and working the least complex fee exception cases under guidance and supervision from BTS Is and the Supervising Tax Auditor.

An additional 4,647 temporary help hours are requested for a TT III position to augment the workforce to timely address the time-sensitive high volume screening workload to ensure potential new petitions are promptly forwarded to CAL FIRE. These positions will perform the same screening work described above.

Classification: Tax Technician III (permanent)	Time Measure		On-going Activities	
	M=Minutes H = Hours	Time Per Occurrence	Occurrences Per Year	Total Hours
Screening, Logging, Corresponding, Non-duplicate Petitions	M	14	15,934	3,718
Screening, Logging Duplicate Petitions	M	6	25,857	2,586
Least Difficult Fee Exceptions	M	30	1,000	500
Processing Refunds	M	25	800	333
<b>Total Hours</b>				<b>7,137</b>
<b>Total Positions Requested (4.0 existing)</b>				<b>4.0</b>

**Associate Tax Auditor (ATA) – 1.0 expiring limited-term position to permanent.**

The conversion of 1.0 expiring limited-term ATA position to permanent position is requested to process petitions and refunds for workload requiring staff intervention associated with the FPF. The ATA position will be responsible for investigating and resolving fee exceptions with moderate complexity, and will manually prepare and issue the corresponding Notices of Redetermination (NORs) according to the recommendations made by CAL FIRE. The ATA position will also be responsible for reviewing petitions and refunds received, processing returned warrants, researching resources to locate better mailing addresses on returned warrants requested by the State Controller's Office, and resolving discrepancies related to refund warrants not received by fee payers. Included among the responsibilities related to refunds are the handling of queuing, printing of schedules and refund notices, and preparation for submission to the State Controller's Office.

Classification: Associate Tax Auditor	Time Measure		On-going Activities	
	M=Minutes H = Hours	Time Per Occurrence	Occurrences Per Year	Total Hours
Fee Exceptions- Moderately Complex Cases	M	35	1,650	963
Problem Warrants Research Analysis – Moderately Complex Cases	M	40	522	348
Preparing Refunds for SCO	M	1	18,747	312
Queuing and Scheduling Refunds	M	1	193	3
<b>Total Hours</b>				<b>1,626</b>
<b>Total Positions Requested (1.0 existing)</b>				<b>1.0</b>

### Business Taxes Specialist I (BTS I) – 2.0 expiring limited-term positions to permanent.

The conversion of 2.0 expiring limited-term BTS I positions to permanent positions, is requested to act as leads over the petition and refund process and handle the most complex cases associated with the FPF. The BTS I positions will be responsible for investigating and resolving the most difficult fee exceptions and will manually issue NORs according to the recommendations made by CAL FIRE. When NORs result in refunds or require refunds to be moved to related account(s), BTS I positions guide and direct TT IIIs to process these transactions.

In addition, BTS I positions research and analyze special circumstances such as, property sales occurring near the start or end of a billing period, trusts as owners, double billings when parcels or structures are owned by separated parties, and handles the most problematic refund warrants. BTS I positions will be responsible for providing guidance to staff in screening petitions, maintaining a master inventory log for all petitions received and oversee the processing and compiling of new petitions to be mailed to CAL FIRE and will perform required review of the work of subordinate staff before final approval.

Classification: Business Taxes Specialist I	Time Measure		On-going Activities	
	M=Minutes H = Hours	Time Per Occurrence	Occurrences Per Year	Total Hours
Fee Exceptions- Most Difficult Cases	M	50	4,208	3,507
Review NORs	M	5	2,392	199
Problem Warrants Research and Analysis – Most Difficult Cases	M	55	58	53
<b>Total Hours</b>				<b>3,759</b>
<b>Total Positions Requested (2.0 existing)</b>				<b>2.0</b>

### Supervising Tax Auditor II (STA II) – 1.0 expiring limited-term position to permanent.

The conversion of 1.0 expiring limited-term STA II positions to permanent position is requested due to the request of 9.5 PYs under this BCP. The staffing ratio for the four existing STA II positions in ADAB is approximately 15.1 PY's for each STA II. ADAB is unable to absorb the additional staff under this BCP and maintain an effective supervisor to employee ratio. With the addition of this STA II position, staffing ratios will be equalized to approximately 13.9 PYs for each STA II, to more effectively lead, direct and oversee the work of ADAB staff.

Classification: Supervising Tax Auditor II	Time Measure		On-going Activities		
	Activity	M=Minutes H = Hours	Time Per Occurrence	Occurrences Per Year	Total Hours
Supervisory					1,800
<b>Total Hours</b>					<b>1,800</b>
<b>Total Positions Requested (1.0 existing)</b>					<b>1.0</b>

### Program Policy & Administration Branch

#### Business Taxes Specialist II –1.0 limited-term position to permanent.

The conversion of 1.0 expiring limited-term Business Taxes Specialist II (BTS II) to permanent position is requested to address the ongoing workload associated with the FPF program.

The BTS II acts as the program's primary technical advisor and liaison to staff working on the FPF program, other divisions, board member staff, and CAL FIRE; they assist with preparation of special notices, forms, and pamphlets; coordinate updates to webpage; work with CAL FIRE on proper identification of fee payers; coordinate with CAL FIRE on all data exchange information; prepare monthly activity and status reports, fee payer correspondence, written policies and procedures as well as drafting regulations for the FPF program; reviewing accuracy of monthly CAL FIRE accounting reports; and attend program meetings.

Classification: Business Taxes Specialist II	Time Measure		On-going Activities		
	Activity	M=Minutes H = Hours	Time Per Occurrence	Occurrences Per Year	Total Hours
<b>Taxpayer Outreach</b> (special notices, webpage)	H	10	10	100	
<b>Attend Program &amp; Joint Application Development (JAD) Meetings</b>	H	4	50	200	
<b>Agency Liaison</b> (technical advisor, program lead)	H	8	100	800	
<b>Program Support</b> (reports, correspondence, etc.)	H	16	50	800	
<b>Total Hours</b>					<b>1,800</b>
<b>Total Positions Requested (1.0 existing)</b>					<b>1.0</b>

DF-46 (REV 05/11)

**Fiscal Summary**

(Dollars in thousands)

BCP No.	Proposal Title	Program				
1	Fire Prevention Fee	Property and Special Taxes				
Personal Services	Positions			Dollars		
	CY	BY	BY + 1	CY	BY	BY + 1
Total Salaries and Wages <sup>1</sup>	0.0	100.9	100.9		\$4,264	\$4,264
Total Staff Benefits <sup>2</sup>					\$1,902	\$1,902
<b>Distributed Administration</b>					\$808	\$681
<b>Total Personal Services</b>	0.0	100.9	100.9		\$6,974	\$6,847
Operating Expenses and Equipment						
General Expense					\$1,613	\$287
Distributed Administration					\$202	\$170
Printing						
Communications					\$69	\$40
Postage					\$320	\$320
Travel-In State						
Travel-Out of State						
Training					\$62	\$62
Facilities Operations					\$1,180	\$1,180
Utilities					\$19	\$19
Consulting & Professional Services: Interdepartmental <sup>3</sup>						
Consulting & Professional Services: External <sup>3</sup>						
Data Center Services					\$195	\$195
Information Technology					\$471	\$241
Equipment <sup>3</sup>						
Other/Special Items of Expense: <sup>4</sup>						
<b>Total Operating Expenses and Equipment</b>					\$4,131	\$2,514
<b>Total State Operations Expenditures</b>					\$11,105	\$9,361
Fund Source	Item Number					
	Org	Ref	Fund			
General Fund	0860	001	0001			
Special Funds <sup>5</sup>	0860	001	3063		\$11,105	\$9,361
Federal Funds						
Other Funds (Specify)						
Reimbursements	0860	001	0995			
Total Local Assistance Expenditures						
Fund Source	Item Number					
	Org	Ref	Fund			
General Fund						
Special Funds <sup>5</sup>						
Federal Funds						
Other Funds (Specify)						
Reimbursements						
<b>Grand Total, State Operations and Local Assistance</b>					\$11,105	\$9,361

<sup>1</sup> Itemize positions by classification on the Personal Services Detail worksheet.<sup>2</sup> Provide benefit detail on the Personal Services Detail worksheet.<sup>3</sup> Provide list on the Supplemental Information worksheet.<sup>4</sup> Other/Special Items of Expense must be listed individually. Refer to the Uniform Codes Manual for a list of standard titles.<sup>5</sup> Attach a Fund Condition Statement that reflects special fund or bond fund expenditures (or revenue) as proposed.

Personal Services Detail							
(Whole dollars)							
BCP No.	Proposal Title						
1	Fire Prevention Fee						
Salaries and Wages Detail							
Classification <sup>1 2</sup>	Positions			Salary Range	Dollars		
	CY	BY	BY + 1		CY	BY	BY + 1
<b>Tax Revenue Branch</b>							
Mailing Machine Operator II	0.0	0.5	0.5	\$35,772	\$0	\$17,886	\$17,886
Office Assistant (General)	0.0	0.5	0.5	\$29,568	\$0	\$14,784	\$14,784
Office Assistant (General)	0.0	2.0	2.0	\$29,568	\$0	\$59,136	\$59,136
Key Data Operator	0.0	3.0	3.0	\$31,308	\$0	\$93,924	\$93,924
<b>Administration-Overhead</b>							
Personnel Specialist	0.0	1.0	1.0	\$40,752	\$0	\$40,752	\$40,752
<b>Administration-Accounting</b>							
Accountant Trainee	0.0	0.5	0.5	\$42,624	\$0	\$21,312	\$21,312
<b>Technology Services</b>							
Staff Programmer Analyst (Spec.)	0.0	2.0	2.0	\$70,356	\$0	\$140,712	\$140,712
Staff Information Systems Analyst (Spec.)	0.0	1.5	1.5	\$70,356	\$0	\$105,534	\$105,534
<b>Executive-Overhead</b>							
Senior Information Systems Analyst (Spec.)	0.0	1.0	1.0	\$77,364	\$0	\$77,364	\$77,364
<b>External Affairs</b>							
Tax Technician II	0.0	2.0	2.0	\$35,664	\$0	\$71,328	\$71,328
Tax Technician III	0.0	0.5	0.5	\$39,888	\$0	\$19,944	\$19,944
<b>PSTD-STF</b>							
Office Assistant (General)	0.0	2.0	2.0	\$29,568	\$0	\$59,136	\$59,136
Tax Technician II	0.0	4.0	4.0	\$35,664	\$0	\$142,656	\$142,656
Tax Technician III	0.0	7.0	7.0	\$39,888	\$0	\$279,216	\$279,216
Business Taxes Representative	0.0	13.5	13.5	\$47,496	\$0	\$641,196	\$641,196
Business Taxes Compliance Specialist	0.0	3.0	3.0	\$62,424	\$0	\$187,272	\$187,272
Business Taxes Administrator I	0.0	3.0	3.0	\$70,476	\$0	\$211,428	\$211,428
Tax Technician III	0.0	4.0	4.0	\$39,888	\$0	\$159,552	\$159,552
Associate Tax Auditor	0.0	1.0	1.0	\$64,164	\$0	\$64,164	\$64,164
Business Taxes Specialist I	0.0	2.0	2.0	\$71,988	\$0	\$143,976	\$143,976
Supervising Tax Auditor II	0.0	1.0	1.0	\$70,476	\$0	\$77,400	\$77,400
Business Taxes Specialist II	0.0	1.0	1.0	\$77,400	\$0	\$77,400	\$77,400
Tax Technician II	0.0	3.0	3.0	\$35,664	\$0	\$106,992	\$106,992
Tax Technician III	0.0	6.0	6.0	\$39,888	\$0	\$239,328	\$239,328
Business Taxes Representative	0.0	5.5	5.5	\$47,496	\$0	\$261,228	\$261,228
Business Taxes Compliance Specialist	0.0	1.0	1.0	\$62,424	\$0	\$62,424	\$62,424
					\$0	\$0	\$0
					\$0	\$0	\$0
					\$0	\$0	\$0
					\$0	\$0	\$0
					\$0	\$0	\$0
					\$0	\$0	\$0
					\$0	\$0	\$0
					\$0	\$0	\$0
					\$0	\$0	\$0
					\$0	\$0	\$0
Blanket Funds:							
Overtime					0	96,276	96,276
Temporary Help	0.0	29.4	29.4		0	791,679	791,679
<b>Total Salaries and Wages <sup>3</sup></b>	0.0	100.9	100.9		\$0	\$4,263,999	\$4,263,999
<b>Staff Benefits Detail</b>							
					<b>CY</b>	<b>BY</b>	<b>BY + 1</b>
OASDI						326,196	326,196
Health/Dental/Vision Insurance						662,210	662,210
Retirement						854,508	854,508
Miscellaneous							
Workers' Compensation						37,926	37,926
Industrial Disability Leave						4,001	4,001
Non-Industrial Disability Leave						1,709	1,709
Unemployment Insurance						3,334	3,334
Other:						12,503	12,503
<b>Total Staff Benefits <sup>3</sup></b>					\$0	\$1,902,387	\$1,902,387
<b>Grand Total, Personal Services</b>					\$0	\$6,166,386	\$6,166,386

<sup>1</sup> Use standard abbreviations per the Salaries and Wages Supplement. Show any effective date or limited-term expiration date in parentheses if the position is not proposed for a full year or is not permanent, e.g. (exp 6-30-13) or (eff 1-1-13)

**Note: Information provided should appear in the same format as it would on the Changes in Authorized Positions.**

<sup>2</sup> If multiple programs require positions, please include a subheading under the classification section to identify positions by

<sup>3</sup> Totals must be rounded to the nearest thousand dollars before posting to the Fiscal Summary.



STATE OF CALIFORNIA  
**Budget Change Proposal - Cover Sheet**  
 DF-46 (REV 03/13)

Fiscal Year 2014-15	BCP No. 2	Org. Code 0860	Department State Board of Equalization	Priority No. 2
Program Legal Department			Element All	Component N/A

Proposal Title  
 SOUTHERN CALIFORNIA APPEALS AND SETTLEMENT UNIT

Proposal Summary  
 The Board of Equalization (BOE) requests \$4.3 million and 26.0 permanent positions (continuation of 22.0 limited-term positions, set to expire June 30, 2014 and 4.0 new positions) in FY 2014-15 and \$4.2 million and 26.0 positions in FY 2015-16 and ongoing, to continue the Southern California Appeals and Settlement Unit (SCAS). The additional 4.0 positions requested are needed to address the additional taxpayer demand for Settlement services and to support the continuous demand for Appeals services. SCAS has successfully exceeded its estimated accelerated revenues by \$48 million since inception and continues to meet the increased and consistent taxpayer demand for administrative Appeals and Settlement services. The total 26.0 positions are estimated to accelerate \$92 million in revenue in 2014-15 and ongoing.

Requires Legislation <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No	Code Section(s) to be Added/Amended/Repealed
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Does this BCP contain information technology (IT) components? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No <i>If yes, departmental Chief Information Officer must sign.</i>	Department CIO	Date
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For IT requests, specify the date a Special Project Report (SPR) or Feasibility Study Report (FSR) was approved by the California Technology Agency, or previously by the Department of Finance.

FSR       SPR      Project No.      Date:

If proposal affects another department, does other department concur with proposal?  Yes       No  
*Attach comments of affected department, signed and dated by the department director or designee.*

Budget Officer	Date	Chief, Financial Management Division	Date
Deputy Director, Administration	Date	Executive Director	Date

**Department of Finance Use Only**

Additional Review:  Capital Outlay     ITCU     FSCU     OSAE     CALSTARS     Technology Agency

BCP Type:       Policy       Workload Budget per Government Code 13308.05

PPBA      Date submitted to the Legislature

**STATE BOARD OF EQUALIZATION**  
**Legal Program**  
**SOUTHERN CALIFORNIA APPEALS AND SETTLEMENT UNIT**  
**Fiscal Year 2014-15**

**A. Proposal Summary**

The Board of Equalization (BOE) requests \$4.3 million and 26.0 permanent positions (continuation of 22.0 limited-term positions, set to expire June 30, 2014 and 4.0 new positions) in FY 2014-15 and \$4.2 million and 26.0 positions in FY 2015-16 and ongoing, to continue the Southern California Appeals and Settlement Unit (SCAS) that was established in element four of the Enhancing Tax Compliance Budget Change Proposal (BCP) approved for an early start effective October 1, 2010, pursuant to the 2010 Budget Act. The additional 4.0 positions requested are needed to address the additional taxpayer demand for Settlement services and to support the continuous demand for Appeals services.

SCAS has successfully exceeded its estimated accelerated revenues by \$48 million since inception and continues to meet the increased and consistent taxpayer demand for administrative Appeals and Settlement services. The number of Incoming Settlement proposals continued to increase seven percent from FY 2011-12 to FY 2012-13 resulting in a need for 2.0 additional settlement officers (Tax Counsel (TC) III and Business Taxes Specialist (BTS) II). In addition, 2.0 support staff positions that are needed to support the SCAS workload (Staff Services Analyst and Legal Secretary). The total 26.0 positions are estimated to accelerate \$92 million in revenue in 2014-15 and ongoing.

**B. Background/History**

SCAS was established effective October 1, 2010, to accelerate revenue and address significant increases in taxpayer demand for Appeals and Settlement services that began in FY 2007-08. Taxpayer behavior appeared to change as a result of the economy starting in FY 2007-08. Taxpayers began filing significantly more appeals and more vigorously disputing proposed tax assessments which created a 32 percent increase in appeals cases from FY 2007-08 to FY 2009-10. Taxpayers also began filing significantly more settlement proposals, resulting in increases in incoming settlement proposals of 61 percent from FY 2007-08 to FY 2008-09 and an additional 27 percent, from FY 2008-09 to FY 2009-10. This resulted in more appeals and settlement cases overall as well as an increase in the complexity of cases appealed and proposed to be settled. The 22.0 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. By accelerating these cases during the three-year pilot, over \$195 million in revenue was accelerated, which resulted in \$48 million more than the estimated \$147 million projected in the original BCP.

**Resource History**  
*(Dollars in thousands)*

<b>Program Budget</b>	<b>2010-11</b>	<b>2011-12</b>	<b>2012-13</b>	<b>2013-14</b>
Authorized Expenditures	\$2,821,000	\$3,016,000	\$3,016,000	\$3,016,000
Actual Expenditures	\$2,821,000	\$3,016,000	\$3,016,000	\$3,016,000
Estimated Accelerated Revenues	\$5,100,000	\$57,000,000	\$84,900,000	Est. \$84,900,000
Achieved Accelerated Revenues	\$11,400,000	\$85,500,000	\$98,200,000	
Authorized Positions	22.0	22.0	22.0	22.0
Filled Positions	22.0	22.0	22.0	21.0
Vacancies	0.0	0.0	0.0	1.0

**Workload History**

<b>Workload Measure</b>	<b>2010-11</b>	<b>2011-12</b>	<b>2012-13</b>	<b>2013-14</b>
Accelerated Appeals and Settlements	257	571	746	Est. 868
Cumulative Total	257	828	1,574	Est. 2,442

### C. State Level Considerations

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 districts. In fiscal year 2010-11, the BOE-administered taxes and fees produced \$53.7 billion for education, public safety, transportation, housing, health services, social services, and natural resource management. The BOE administers the state's sales and use, fuel, alcohol, tobacco, and other taxes and collects fees that fund specific state programs. More than one million businesses are registered with the agency.

Given the continuing changes to the economic climate in California, the SCAS program continues to be vital to accelerated revenue growth by meeting the continued and increasing demand for appeals and settlements, respectively, as well as increasing compliance with existing tax and fee laws. The approval of this proposal will continue to accelerate resolution of disputed tax liabilities and the associated revenue in the amount of approximately \$92 million annually to the State without increasing taxes. Denial of this proposal will result in a delay of case resolution for taxpayers and an 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.

### D. Justification

The SCAS was approved to address rising Appeals and Settlement and Taxpayer Services Divisions' inventory levels associated with the economy and to accelerate the associated revenue to the General Fund. The SCAS successfully exceeded its estimated accelerated revenues in each year of the pilot, accelerating a total of over \$195 million over the three year pilot, \$48 million more than originally projected. Further, the SCAS has successfully addressed the significant inventory levels that resulted during the recessed economy by resolving and accelerating 1,574 settlements and appeals cases from Fiscal Year 2010-11 through Fiscal Year 2012-13. The SCAS continues to be necessary to meet the sustained higher demand that continues, and is still increasing, for Appeals and Settlement services, respectively.

Prior to implementation of the SCAS, the Appeals Division saw its workload increase by approximately 32 percent from FY 2007-08 to FY 2009-10, and since that time the Appeals Division's workload has stabilized at this higher level. In addition, the nature of the cases has continued to become increasingly more complex as taxpayers aggressively and creatively defend their cases at each step of the appeals process. Since its inception, the SCAS has resolved and accelerated 897 cases from Fiscal Year 2010-11 through Fiscal Year 2012-13. Without the SCAS, such workload could not be absorbed, and would continue accumulating each year thereafter, resulting in the delay of millions of dollars of accelerated revenue for the state and resolution of the cases for the taxpayers.

The Settlement and Taxpayer Services Division saw its workload increase by approximately 61 percent from FY 2007-08 to FY 2008-09 and again by 27 percent from FY 2008-09 to FY 2009-10, prior to the implementation of the SCAS. During the three year SCAS pilot, taxpayer demand for settlement services continued to increase each year. From FY 2010-11 to FY 2011-12, incoming settlement proposals increased another 53.9 percent, and from FY 2011-12 to FY 2012-13, incoming proposals continued to increase another 7 percent. Since its inception, the SCAS has resolved and accelerated 677 settlement proposals from FY 2010-11 through FY 2012-13. Due to the continuing increase in incoming settlement proposals, there is sufficient inventory to warrant an additional two Settlement Officer positions (TC III and BTS II) to the SCAS to address the still increasing demand and to accelerate the associated revenue. (Two additional support staff positions are also needed, as detailed herein.) Without the SCAS, such workload could not be absorbed, and would continue accumulating each year thereafter, resulting in the delay of millions of dollars of accelerated revenue for the state and resolution of the cases for the taxpayers.

**E. Outcomes and Accountability**

Workload Measure	Projected Outcomes		
	2014-15	2015-16	2016-17
Appeals and Settlements Accelerated Revenue	\$92,000,000	\$92,000,000	\$92,000,000

Given the success of the three year SCAS pilot, which exceeded its estimated accelerated revenues by over \$48 million, making the SCAS permanent enables the acceleration of resolved cases and associated revenue to continue in FY 2014-15 and ongoing. The continuation of the project enables the BOE to successfully respond quickly to the heightened and sustained demand for appeals services and the continuing increase year over year for settlement services. Continuing to allow the acceleration of appeals and settlement cases in FY 2014-15 and ongoing will allow the acceleration of revenue for an estimated amount of \$92 million a year, allows for quicker resolution of tax disputes for taxpayers, thereby limiting accrual of interest, significantly increases the possibility of collection of early revenues, avoids potential collection difficulties caused when appeals and settlement resolutions are delayed, and educates taxpayers and the public as to the reporting and compliance requirements in California.

**F. Analysis of All Feasible Alternatives****Alternative 1: Provide permanent funding for 26.0 permanent positions (22.0 limited-term positions and 4.0 new positions) to continue the SCAS program**

Under this alternative, resources being requested are based on making 22.0 limited-term positions permanent and adding 4.0 new positions.

New Positions*	Start Date	FY 2014-15	FY 2015-16	Ongoing
Tax Counsel III	07/01/14	1.0	1.0	1.0
Business Tax Specialist II	07/01/14	1.0	1.0	1.0
Staff Services Analyst	07/01/14	1.0	1.0	1.0
Legal Secretary	07/01/14	1.0	1.0	1.0
<b>Total New Positions by Fiscal Year</b>		<b>4.0</b>	<b>4.0</b>	<b>4.0</b>
Limited-Term Positions to Permanent *	Start Date	FY 2014-15	FY 2015-16	Ongoing
Tax Counsel IV	07/01/14	1.0	1.0	1.0
Tax Counsel III (Supervisor)	07/01/14	1.0	1.0	1.0
Tax Counsel III	07/01/14	4.0	4.0	4.0
Business Taxes Specialist III	07/01/14	4.0	4.0	4.0
Business Taxes Specialist II	07/01/14	10.0	10.0	10.0
Associate Governmental Program Analyst	07/01/14	1.0	1.0	1.0
Tax Technician III	07/01/14	1.0	1.0	1.0
<b>Total New Positions by Fiscal Year</b>		<b>22.0</b>	<b>22.0</b>	<b>22.0</b>

\*See Exhibit 1 for position details and related workload.

**Pros:**

- Acceleration of an estimated \$92 million annually in revenue in FY 2014-15 and ongoing.
- Provide quicker resolutions for taxpayers entering the appeals or settlement process, thereby limiting interest accruals on unpaid tax assessments.
- Significantly increase the possibility of collection of early revenues for deposit into the General Fund.
- Avoid potential collection difficulties caused when appeal/settlement resolutions are delayed.
- Educate taxpayers and the public as to the reporting and compliance requirements in California.
- Allow the SCAS program to continue to accelerate the resolution of cases, resulting in the acceleration of associated amounts earlier to the General Fund.
- Increase agency effectiveness and efficiency.

**Cons:**

- Initial and ongoing operating costs.
- Requires a budget augmentation.

**Alternative 2: Provide permanent funding for 22.0 positions to continue the SCAS program**

Under this alternative, resources being requested are based on making 22.0 limited-term positions permanent.

Limited-Term Positions to Permanent *	Start Date	FY 2014-15	FY 2015-16	Ongoing
Tax Counsel IV	07/01/14	1.0	1.0	1.0
Tax Counsel III (Supervisor)	07/01/14	1.0	1.0	1.0
Tax Counsel III	07/01/14	4.0	4.0	4.0
Business Taxes Specialist III	07/01/14	4.0	4.0	4.0
Business Taxes Specialist II	07/01/14	10.0	10.0	10.0
Associate Governmental Program Analyst	07/01/14	1.0	1.0	1.0
Tax Technician III	07/01/14	1.0	1.0	1.0
<b>Total New Positions by Fiscal Year</b>		<b>22.0</b>	<b>22.0</b>	<b>22.0</b>

**Pros:**

- Acceleration of an estimated \$84,900,000 in revenue in FY 2014-15 and ongoing.
- Provide quicker resolutions for taxpayers entering the appeals or settlement process, thereby limiting interest accruals on unpaid tax assessments.
- Significantly increase the possibility of collection of early revenues for deposit into the General Fund.
- Avoid potential collection difficulties caused when appeal/settlement resolutions are delayed.
- Educate taxpayers and the public as to the reporting and compliance requirements in California.
- Allow the SCAS program to continue to accelerate the resolution of cases, resulting in the acceleration of associated amounts earlier to the General Fund.
- Increase agency effectiveness and efficiency.

**Cons:**

- Initial and ongoing operating costs.
- Requires a budget augmentation.
- Fails to address the still increasing demand for Settlement services and foregoes the opportunity to accelerate an additional \$7.1 million (for a total of \$92 million) in FY 2014-15 and ongoing.

**Alternative 3: Do not provide funding or positions to continue the SCAS Unit**

Under this alternative, no funds would be allocated to maintain or expand the SCAS program. The BOE is not able to absorb the workload associated with the SCAS program with current resources. Thus, the SCAS program would conclude and the benefits realized by the program would cease.

**Pros:**

- Does not require a budget augmentation.

**Cons:**

- Foregoes acceleration of an estimated \$92,000,000 in revenue in FY 2014-15 and ongoing.
- No longer be able to provide expedited resolutions for taxpayers entering the appeals or settlement process, thereby interest would continue to accrue on unpaid tax assessments.
- Face potential collection difficulties caused when appeal/settlement resolutions are delayed.

- Delay in collection and transfer of revenues to the General Fund. Decreased staff available to educate taxpayers and the public as to the reporting and compliance requirements in California.
- Decreased agency effectiveness and efficiency.

#### G. Implementation Plan

The funding for the SCAS program is set to expire on June 30, 2014. Thus, this BCP is being submitted for FY 2014-15 to prevent interruption of the SCAS program activities.

#### H. Supplemental Information (Check box(es) below and provide additional descriptions.)

None     Facility/Capital Costs     Equipment     Contracts     Other \_\_\_\_\_

#### I. Recommendation

##### Alternative 1 is recommended.

By providing the resources identified in Alternative 1, the BOE can more efficiently and effectively administer and enforce the provisions of the Sales and Use Tax Law. The SCAS Program will provide a collaborative and strategic effort to address increased taxpayer demand for Appeals and Settlement services. By securing the staffing level requested in this BCP, the program will be able to continue to accelerate these cases resulting in approximately \$92 million in associated revenue being accelerated to the General Fund annually.

**LEGAL DEPARTMENT**

The Legal Department provides enforcement, collection, and legal support to all of the tax programs administered by the BOE. Each division within the Legal Department has a specific role in its support of these tax programs. This proposal requests 26.0 PYs for the divisions.

**Settlement and Taxpayer Services Division**

The Settlement and Taxpayer Services Division administers the BOE's Administrative Settlement Program. Settlement staff evaluates proposals, reviews appeals case files, and negotiates settlements of disputed sales and use tax and special tax and fee matters consistent with a reasonable evaluation of the risks and cost of litigating those cases. Successful settlements result in accelerated revenue for the State. Settlement also avoids costs for further appeals and litigation.

**7.0 Business Taxes Specialist II (Settlement Officer) — Settlement Section of SCAS**

The working title of a Business Taxes Specialist II (BTS II) in the Settlement and Taxpayer Services Division's Settlement Section is Settlement Officer. A BTS II Settlement Officer evaluates settlement proposals; reviews appeals case files and related documentation; negotiates settlements; holds settlement conferences; and prepares necessary documents for the statutory approval process. A BTS II Settlement Officer primarily works on audit issue cases but must also understand legal issues and concepts, as well as risk analysis. A Settlement Officer may also be required to attend closed session Board meetings; attend meetings with executive management; act as lead auditor; assist legal and audit staff; and work on special projects.

The table below provides the estimated workload for this position.

<b>Workload Detail</b>				
<b>Classification: Settlement Officer (BTS II)</b>	<b>Time Measure</b>		<b>On-going Activities</b>	
<b>Activity</b>	<b>M=Minutes H = Hours</b>	<b>Time Per Occurrence</b>	<b>Occurrences Per Year</b>	<b>Total Hours</b>
Evaluate Settlement proposals, review Appeals case files, negotiate settlements and prepare Executive Management, Board, and Attorney General documents for Sales & Use Tax Cases—95%	H	27	406	10,962
Evaluate Settlement proposals, review Appeals case files, negotiate settlements and prepare Executive Management, Board, and Attorney General documents for 27 Special Tax & Fee Cases—5%	H	27	21	567
Assist Legal and Audit Staff	H	1.8	560	1,008
Attend meetings	H	1.0	84	84
Total Settlement Officer (BTS II) hours				12,621
Total Settlement Officer (BTS II) Positions Requested (1,800 Hours/Position)				<b>7.0</b>

**1.0 Business Taxes Specialist III (Senior Settlement Officer) — Settlement Section of SCAS**

The working title of a Business Taxes Specialist III (BTS III) in the Settlement and Taxpayer Services Division's Settlement Section is Senior Settlement Officer. A Senior Settlement Officer acts as the section's lead auditor, technical expert, and reviewer; evaluates settlement proposals for the most difficult cases; reviews appeals case files and related documentation; negotiates settlements; holds settlement conferences; and prepares necessary documents for the statutory approval process. A Senior Settlement Officer must proficiently understand audit and legal issues, as well as risk analysis. A Senior Settlement Officer may also be required to attend closed session Board meetings; attend meetings with executive management; assist legal and audit staff; train legal and audit staff; and work on special projects.

The table below provides the estimated workload for this classification:

<b>Workload Detail</b>				
<b>Classification: Settlement Officer (BTS III)</b>	<b>Time Measure</b>		<b>On-going Activities</b>	
<b>Activity</b>	<b>M=Minutes H = Hours</b>	<b>Time Per Occurrence</b>	<b>Occurrences Per Year</b>	<b>Total Hours</b>
Coordinate assignments and review audit work of Settlement staff.	H	3.2	265	848
Evaluate Settlement proposals, review Appeals case files, negotiate settlements and prepare Executive Management, Board, and Attorney General documents for Sales and Use Tax Cases—95%	H	27	29	783
Evaluate Settlement proposals, review Appeals case files, negotiate settlements and prepare Executive Management, Board, and Attorney General documents for Special Tax & Fee Cases – 5%	H	27	1	27
Assist Legal and Audit Staff	H	1.8	100	180
Total Settlement Officer (BTS II) hours				1,838
Total Settlement Officer (BTS II) Positions Requested (1,800 Hours/Position)				<b>1.0</b>

### **3.0 Tax Counsel III (Settlement Officer) — Settlement Section of SCAS**

The working title of a Tax Counsel (TC III) in the Settlement and Taxpayer Services Division's Settlement Section is Settlement Officer. A TC III evaluates settlement proposals; reviews appeals case files and related documentation; negotiates settlements; holds settlement conferences; and prepares necessary documents for the statutory approval process. A TC III Settlement Officer primarily works on legal issue cases but must also understand audit procedures and techniques, as well as risk analysis. A Settlement Officer may also be required to attend closed session Board meetings; attend meetings with executive management; assist legal and audit staff, and work on special projects.

The table below provides the estimated workload for this position.

<b>Workload Detail</b>				
<b>Classification: Settlement Officer (TC III)</b>	<b>Time Measure</b>		<b>On-going Activities</b>	
<b>Activity</b>	<b>M=Minutes H = Hours</b>	<b>Time Per Occurrence</b>	<b>Occurrences Per Year</b>	<b>Total Hours</b>
Evaluate Settlement proposals, review Appeals case files, negotiate Settlements, and prepare necessary documentation for Executive Management and Attorney General review and approval, Sales and Use Tax Cases—95%	H	27	174	4,698
Evaluate Settlement proposals, review Appeals case files, negotiate Settlements, and prepare necessary documentation for Executive Management and Attorney General review and approval, Special Taxes and Fees Cases—5%	H	27	9	243
Assist Legal and Audit Staff	H	1.8	240	432
Attend Meetings	H	1.0	36	36
Total Settlement Officer (TC III) hours				5,409
Total Settlement Officer (TC III) Positions Requested (1,800 Hours/Position)				<b>3.0</b>

**Note:** The BTS III is estimated to complete 30 settlement cases per year, with an estimated breakdown of 95 percent Sales and Use Tax cases and 5 percent Special Tax and Fees cases. The category ratios are 45 percent for coordination and review, 46 percent for direct settlement case workload (Sales and Use and Special Tax and Fee cases), and 9 percent for assisting staff.

Each BTS II and TC III is estimated to complete 61 settlement cases per year, with an estimated breakdown of 95 percent Sales and Use Tax cases and 5 percent Special Tax and Fees cases. The category ratios are 90 percent (both Sales and Use and Special Tax and Fees cases), 8 percent, and 2 percent.

### **1.0 Staff Services Analyst — Settlement Section of SCAS**

The Staff Services Analyst (SSA) in the Settlement section analyzes, reviews, and evaluates complex, sensitive, and confidential matters and correspondence received in the settlement section. The SSA ensures the statutory requirements and qualifying criteria are met for settlement proposals, and reviews

proposals for completeness, accuracy, and consistency with Board policies and procedures. The SSA distinguishes between the various types of settlement cases and prepares the appropriate case packages accordingly; the SSA further coordinates and tracks the formal review of settlement cases submitted through management, including the Chief Counsel, Executive Director, Attorney General, and Board Members.

The SSA also monitors submission deadlines within the settlement process, determines appropriate alternatives/action for cases that do not meet the required criteria and prepares correspondence to taxpayers or their representatives to advise or request additional information in an effort to resolve their case. The SSA handles telephone inquiries and responds to written inquiries utilizing a thorough knowledge of the case and settlement program, statutory requirements and appeals process, and works cooperatively with other departments, divisions and sections within the BOE to coordinate the processing of settlement cases.

The table below provides the estimated workload for this position.

<b>Workload Detail</b>				
<b>Classification: Staff Services Analyst (SSA)</b>	<b>Time Measure</b>		<b>On-going Activities</b>	
<b>Activity</b>	<b>M=Minutes H = Hours</b>	<b>Time Per Occurrence</b>	<b>Occurrences Per Year</b>	<b>Total Hours</b>
Review proposals for eligibility; preparation of case packages, acknowledgement letters to Tax and Fee payers	H	.75	360	270
Prepare monthly payment plan spreadsheet; issue-spot problems; propose potential solutions; contact taxpayer	H	2.0	516	1,032
Analyze defaults; cases with credit issues/ coordinate with escrow companies and District Offices to effect lien releases	H	.5	240	120
Prepare draft Settlement Agreement revisions addressing payment issues	H	1	378	378
Total Staff Services Analyst (SSA) hours				1,800
Total Staff Services Analyst (SSA) Positions Requested (1,800 Hours/Position)				<b>1.0</b>

### **Appeals Division**

The Appeals Division furnishes legal services with respect to the Board's activities under its appeals programs. The division's primary responsibilities are to serve as the Board's independent legal counsel for appeals coming before the Board Members on complex technical policy, audit procedures and legal issues involving the interpretation and application of the sales and use tax, excise tax, special tax, insurance tax, property tax, and state income tax laws. With the exception of state income tax for which the Board serves an appellate function, the Board directly administers the remaining tax laws with which Appeals staff must be familiar. The Appeals Division is charged with responsibility for rendering an independent, impartial, and legally sound decision that fairly addresses the facts and law presented in a case. Appeals staff conducts appeals conferences and issues decisions to provide advice and guidance to the elected members of the Board. The acceleration of legal appeals cases will both accelerate potential revenue to the State and decrease delays to the taxpayer. The taxpayers will be informed as soon as possible whether they owe the disputed liability and it will limit the amount of interest accrued during the appeals process.

#### **1.0 Tax Technician III – Appeals Section of SCAS**

The Tax Technician III (TT III) performs a variety of difficult and complex technical duties in support of the Appeals Division. The TT III accurately monitors, verifies, and maintains taxpayer/representative information in IRIS and ACMS to ensure all information is accurate. The TT III reviews all decisions for accuracy and is proficient in technical and clerical duties including proficiency with word processing programs, copying, formatting, and mailing.

The table below provides the estimated workload for this position.

<b>Workload Detail</b>				
<b>Classification: Tax Technician III</b>	<b>Time Measure</b>		<b>On-going Activities</b>	
<b>Activity</b>	<b>M=Minutes H = Hours</b>	<b>Time Per Occurrence</b>	<b>Occurrences Per Year</b>	<b>Total Hours</b>
Query & Verify Account Details	H	1	600	600
Review and Clerical Duties	H	2	600	1200
Total Tax Technician III hours				1,800
Total Tax Technician III Positions Requested (1,800 Hours/Position)				<b>1.0</b>

### **1.0 Legal Secretary - Appeals Section of SCAS**

The Legal Secretary in the Appeals Division will provide direct secretarial and administrative support for multiple attorneys and/or conference holders including the full range of basic and complex secretarial duties. A Legal Secretary in the Appeals Division prepares and edits a variety of intricate legal documents involving various tax and fee programs as well as multiple parties and state agencies.

The table below provides the estimated workload for this position.

<b>Workload Detail</b>				
<b>Classification: Legal Secretary</b>	<b>Time Measure</b>		<b>On-going Activities</b>	
<b>Activity</b>	<b>M=Minutes H = Hours</b>	<b>Time Per Occurrence</b>	<b>Occurrences Per Year</b>	<b>Total Hours</b>
Review and Finalize	H	6	144	864
Indexing	H	4	144	576
Clerical Duties	H	3	144	432
Total Legal Secretary hours				1,872
Total Legal Secretary Positions Requested (1,800 Hours/Position)				<b>1.0</b>

### **2.0 Tax Counsel III – Appeals Section of SCAS**

The Business Tax Section Tax Counsel III (TC III) is dedicated to the task of conducting appeals conferences and issuing decisions to provide advice and guidance to the elected members of the Board. A Tax Counsel III is able to organize and draft complex legal decisions and is able to independently analyze and apply legal principals within a limited time frame, completing diverse assignments simultaneously. These positions are responsible for processing the business tax appeals prior to final determination by the Board.

The purpose of this request is to accelerate legal appeals cases. The acceleration of legal appeals cases will both accelerate potential revenue to the State and decrease delays to the taxpayer. The taxpayers will be informed as soon as possible whether they owe the disputed liability and it will limit the amount of interest accrued during the appeals process.

The table below provides the estimated workload for this position.

<b>Workload Detail</b>				
<b>Classification: Tax Counsel III (TC III)</b>	<b>Time Measure</b>		<b>On-going Activities</b>	
<b>Activity</b>	<b>M=Minutes H = Hours</b>	<b>Time Per Occurrence</b>	<b>Occurrences Per Year</b>	<b>Total Hours</b>
Education, Training, & Transition	H	60	2	120
File Review & Preparation	H	4	88	352
Travel	H	0.5	88	44
Conference	H	1.1	88	96.8
Post-Conference Info Gathering	H	3	88	264
Research/Writing Decision	H	30	88	2640
Post Decision	H	1	88	88
Post Board Hearing	H	0.1	88	8.8
Total Tax Counsel III (TC III) hours				3,613.6
Total Tax Counsel III (TC III) Positions Requested (1,800 Hours/Position)				<b>2.0</b>

### 1.0 Tax Counsel (TC) III (Supervisor) - Appeals Section of SCAS

The Tax Counsel III (Supervisor) performs the following duties under the general supervision of the Assistant Chief Counsel of the Appeals Division:

- The TC III Supervisor supervises a staff of attorneys, auditors, and clerical staff. The staff is assigned to conduct conferences and prepare decisions for Board action on petitions for redetermination and claims for refund arising under the business taxes law administered by the Board.
- The TC III Supervisor also performs personnel duties and general oversight of the SCAS Appeals Section staff. The TC III supervisor is responsible for training staff, managing case inventory and assignments and making recommendations for the most complex cases at all levels.
- The TC III Supervisor acts as a lead to TC's and TC III's and reviews decisions.
- The TC III Supervisor also assists the Assistant Chief Counsel of the Appeals Division performing various other related duties as required.

The table below provides the estimated workload for this position.

<b>Workload Detail</b>				
<b>Classification: Tax Counsel III (Supervisor)</b>	<b>Time Measure</b>		<b>On-going Activities</b>	
<b>Activity</b>	<b>M=Minutes H = Hours</b>	<b>Time Per Occurrence</b>	<b>Occurrences Per Year</b>	<b>Total Hours</b>
Supervising Staff	H	60	18	1080
Training	H	40	4	160
Assisting with Cases	H	1.5	200	300
Assisting with Conferences	H	1	100	100
Review of decision	H	2	100	200
Total Tax Counsel III (Supervisor) hours				1,840
Total Tax Counsel III (Supervisor) Positions Requested (1,800 Hours/Position)				<b>1.0</b>

### 1.0 Tax Counsel IV- Appeals Section of SCAS

The Tax Counsel IV (TC IV) performs the following duties under the general guidance of the Assistant Chief Counsel of the Appeals Division:

- The TC IV represents the Appeals Section in presenting the most complex legal cases at hearings before the Board members.

- The TC IV processes the most complex business tax matters and most difficult business tax appeals, those involving the Interstate Commerce Clause, Nexus, and Internet sales of tangible personal property to California residents.
- The TC IV acts as a lead attorney for Tax Counsels and Tax Counsel III's in their representation of the Appeals Division in business tax appeals, including offering substantive, procedural, and tactical direction and advice.
- The TC IV advises TC's and TC III's on the more difficult or complex legal or factual issues that are presented in the business tax appeals that have been assigned to them.
- The TC IV reviews the decisions that the Appeals Division issues. In that capacity, the Tax Counsel IV performs a quality-control function to ensure that the decisions are legally and factually correct and represent the legal opinion of the Appeals Division.

The table below provides the estimated workload for this position.

<b>Workload Detail</b>				
<b>Classification: Tax Counsel IV (TC IV)</b>	<b>Time Measure</b>		<b>On-going Activities</b>	
<b>Activity</b>	<b>M=Minutes H = Hours</b>	<b>Time Per Occurrence</b>	<b>Occurrences Per Year</b>	<b>Total Hours</b>
Lead, Review, Board Hearings	H	141.2	1	141.2
File Review & Preparation	H	3	44	132
Travel	H	0.5	44	22
Conference	H	1.1	44	48.4
Post-Conference Info Gathering	H	2	44	88
Research/Writing Decision	H	30	44	1320
Post Decision	H	1	44	44
Post Board Hearing	H	0.1	44	4.4
Total Tax Counsel IV (TC IV) hours				1,800
Total Tax Counsel IV (TC IV) Positions Requested (1,800 Hours/Position)				<b>1.0</b>

#### **4.0 BTS II – Appeals Section of SCAS**

The Business Taxes Specialist II (BTS II) is dedicated to the task of conducting appeals conferences and issuing decisions regarding audit issues to provide advice and guidance to the elected members of the Board. These positions are responsible for processing the business tax appeals prior to final determination by the Board.

The purpose of this request is to accelerate audit appeals cases. The acceleration of audit appeals cases will both accelerate potential revenue to the State and decrease delays to the taxpayer. The taxpayers will be informed as soon as possible whether they owe the disputed liability and it will limit the amount of interest accrued during the appeals process.

The table below provides the estimated workload for this position.

<b>Workload Detail</b>				
<b>Classification: Business Taxes Specialist II (BTS II)</b>	<b>Time Measure</b>		<b>On-going Activities</b>	
<b>Activity</b>	<b>M=Minutes H = Hours</b>	<b>Time Per Occurrence</b>	<b>Occurrences Per Year</b>	<b>Total Hours</b>
Education, Training, & Transition	H	60	4	240
File Review & Preparation	H	4	176	704
Travel	H	0.5	176	88
Conference	H	1.1	176	193.6
Post-Conference Info Gathering	H	3	176	528
Research/Writing Decision	H	30	176	5280
Post Decision	H	1	176	176
Post Board Hearing	H	0.1	176	17.6
Total Business Taxes Specialist II (BTS II) hours				7,227.2
Total Business Taxes Specialist II (BTS II) Positions Requested (1,800 Hours/Position)				<b>4.0</b>

### 3.0 BTS III -- Appeals Section of SCAS

The Business Tax Section Business Taxes Specialist III (BTS III) performs the following duties under the general guidance of the Appeals Division Assistant Chief Counsel:

- The BTS III represents the Appeals Section in presenting the most complex audit cases at hearings before the Board members.
- The BTS III acts as lead for the BTS II's in their representation of the Appeals Division in business tax appeals, including offering substantive, procedural, and tactical direction and advice regarding their appeals conferences and their decisions. Advises Tax Counsels, Tax Counsel III's, and Tax Counsel IV's regarding audit issues that are involved in the decisions they prepare.
- The BTS III reviews the decisions that are issued by the Business Taxes Specialists, which involve primarily disputes regarding audit issues. In that capacity, the Business Taxes Specialist III performs a quality control function to ensure the accurate and consistent application of statutory and regulatory authority, as well as the Board's audit policies.
- The BTS III prepares summaries for Board hearings, which represent the Appeals Division's advice to Board Members regarding the resolution of appeals matters, ensuring that all matters in dispute, involving legal and factual issues as well as audit procedures, are clearly and concisely explained.

The table below provides the estimated workload for this position.

<b>Workload Detail</b>				
<b>Classification: Business Taxes Specialist III (BTS III)</b>	<b>Time Measure</b>		<b>On-going Activities</b>	
<b>Activity</b>	<b>M=Minutes H = Hours</b>	<b>Time Per Occurrence</b>	<b>Occurrences Per Year</b>	<b>Total Hours</b>
Lead, Review, Board Hearings	H	141.2	3	423.6
File Review & Preparation	H	3	132	396
Travel	H	0.5	132	66
Conference	H	1.1	132	145.2
Post-Conference Info Gathering	H	2	132	264
Research/Writing Decision	H	30	132	3960
Post Decision	H	1	132	132
Post Board Hearing	H	0.1	132	13.2
Total Business Taxes Specialist III (BTS III) hours				5,400
Total Business Taxes Specialist III (BTS III) Positions Requested (1,800 Hours/Position)				<b>3.0</b>

### **Board Proceedings Division**

Under the general direction of the Executive Director, the Board Proceedings Division (BPD) furnishes administrative services to the elected Board, the Executive Director, and taxpayers in support of the BOE's appellate functions. The Tax and Fee Case Management Section (TFCM) of BPD processes all incoming appeals and refund claims, manages unassigned inventory, schedules conferences, and handles clerical functions until the files are transferred to the Appeals Division.

### **Tax and Fee Case Management Section (TFCM)**

The Business Tax Unit of TFCM handles all incoming business tax and fee appeals, scheduling conferences, issuing conference notices, processing postponements and rescheduling conferences. In the event that the additional conference holder positions (conducting appeals conferences for the Appeals Division) for the SCAS are funded, the workload of the TFCM section of BPD will increase as detailed below.

### 1.0 Associate Governmental Program Analyst

The table below provides the estimated workload for this position.

<b>Workload Detail</b>				
<b>Classification: Associate Government Program Analyst</b>	<b>Time Measure</b>		<b>On-going Activities</b>	
<b>Activity</b>	<b>M=Minutes H = Hours</b>	<b>Time Per Occurrence</b>	<b>Occurrences Per Year</b>	<b>Total Hours</b>
Reports, studies, issue papers, proposals, statistical data	H	40	32	1280
Attend meetings	H	2	30	60
Develop and maintain tracking systems (tax loss/collection)	H	35	5	175
Total Associate Government. Program Analyst hours				1,870
Total Associate Government Program Analyst Positions Requested (1,800 Hours/Position)				<b>1.0</b>

**Fiscal Summary**

(Dollars in thousands)

BCP No. <b>2</b>	Proposal Title <b>Southern California Appeals and Settlement Unit</b>			Program <b>Legal Department</b>		
<b>Personal Services</b>	<b>Positions</b>			<b>Dollars</b>		
	<b>CY</b>	<b>BY</b>	<b>BY + 1</b>	<b>CY</b>	<b>BY</b>	<b>BY + 1</b>
Total Salaries and Wages <sup>1</sup>	0.0	27.1	27.1		\$2,198	\$2,198
Total Staff Benefits <sup>2</sup>					\$999	\$999
<b>Distributed Administration</b>					\$314	\$307
<b>Total Personal Services</b>	0.0	27.1	27.1		\$3,511	\$3,504
<b>Operating Expenses and Equipment</b>						
General Expense					\$114	\$65
Distributed Administration					\$78	\$77
Printing						
Communications					\$21	\$20
Postage						
Travel-In State					\$66	\$66
Travel-Out of State						
Training					\$31	\$31
Facilities Operations					\$332	\$307
Utilities					\$5	\$5
Consulting & Professional Services: Interdepartmental <sup>3</sup>						
Consulting & Professional Services: External <sup>3</sup>						
Data Center Services					\$65	\$65
Information Technology					\$89	\$81
Equipment <sup>3</sup>						
Other/Special Items of Expense: <sup>4</sup>						
<b>Total Operating Expenses and Equipment</b>					\$801	\$717
<b>Total State Operations Expenditures</b>					\$4,312	\$4,221
<b>Fund Source</b>	<b>Item Number</b>					
	<b>Org</b>	<b>Ref</b>	<b>Fund</b>			
General Fund	0860	001	0001		\$2,816	\$2,757
Special Funds <sup>5</sup>						
Federal Funds						
Other Funds (Specify)						
Reimbursements	0860	001	0995		\$1,496	\$1,464
<b>Total Local Assistance Expenditures</b>						
<b>Fund Source</b>	<b>Item Number</b>					
	<b>Org</b>	<b>Ref</b>	<b>Fund</b>			
General Fund						
Special Funds <sup>5</sup>						
Federal Funds						
Other Funds (Specify)						
Reimbursements						
<b>Grand Total, State Operations and Local Assistance</b>					\$4,312	\$4,221

<sup>1</sup> Itemize positions by classification on the Personal Services Detail worksheet.

<sup>2</sup> Provide benefit detail on the Personal Services Detail worksheet.

<sup>3</sup> Provide list on the Supplemental Information worksheet.

<sup>4</sup> Other/Special Items of Expense must be listed individually. Refer to the Uniform Codes Manual for a list of standard titles.

<sup>5</sup> Attach a Fund Condition Statement that reflects special fund or bond fund expenditures (or revenue) as proposed.

### Personal Services Detail

(Whole dollars)

BCP No. <b>2</b>	Proposal Title <b>Southern California Appeals and Settlement Unit</b>
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#### Salaries and Wages Detail

Classification <sup>1 2</sup>	Positions			Salary Range	Dollars		
	CY	BY	BY + 1		CY	BY	BY + 1
<b>Settlement &amp; Taxpayer Svc. Division</b>					\$0	\$0	\$0
Businesses Taxes Specialist III \a	0.0	1.0	1.0	\$89,112	\$0	\$89,112	\$89,112
Businesses Taxes Specialist II \a	0.0	6.0	6.0	\$77,400	\$0	\$464,400	\$464,400
Tax Counsel III (Settlement Officer)	0.0	3.0	3.0	\$104,664	\$0	\$313,992	\$313,992
Staff Services Analyst (General) \b	0.0	1.0	1.0	\$44,376	\$0	\$44,376	\$44,376
Business Taxes Specialist II\ b	0.0	1.0	1.0	\$77,400	\$0	\$77,400	\$77,400
<b>Appeals Division</b>							
Tax Technician III \a	0.0	1.0	1.0	\$39,888	\$0	\$39,888	\$39,888
Legal Secretary \b	0.0	1.0	1.0	\$42,192	\$0	\$42,192	\$42,192
Tax Counsel III (Spec) \a	0.0	2.0	2.0	\$104,664	\$0	\$209,328	\$209,328
Tax Counsel III (Supvr.) \a	0.0	1.0	1.0	\$104,736	\$0	\$104,736	\$104,736
Tax Counsel IV \a	0.0	1.0	1.0	\$115,668	\$0	\$115,668	\$115,668
Business Taxes Specialist II \a	0.0	4.0	4.0	\$77,400	\$0	\$309,600	\$309,600
Business Taxes Specialist III \a	0.0	3.0	3.0	\$89,112	\$0	\$267,336	\$267,336
					\$0	\$0	\$0
<b>Board Proceedings Division</b>					\$0	\$0	\$0
Associate Governmental Program Analyst \a	0.0	1.0	1.0	\$59,448	\$0	\$59,448	\$59,448
					\$0	\$0	\$0
					\$0	\$0	\$0
					\$0	\$0	\$0
					\$0	\$0	\$0
Blanket Funds:							
Overtime					0	0	0
Temporary Help	0.0	1.1	1.1		0	60,381	60,381
<b>Total Salaries and Wages <sup>3</sup></b>	0.0	27.1	27.1		\$0	\$2,197,857	\$2,197,857

Staff Benefits Detail	CY	BY	BY + 1
OASDI		168,136	168,136
Health/Dental/Vision Insurance		349,217	349,217
Retirement		450,627	450,627
Miscellaneous			
Workers' Compensation		20,000	20,000
Industrial Disability Leave		2,110	2,110
Non-Industrial Disability Leave		901	901
Unemployment Insurance		1,758	1,758
Other:		6,594	6,594
<b>Total Staff Benefits <sup>3</sup></b>	\$0	\$999,343	\$999,343
<b>Grand Total, Personal Services</b>	\$0	\$3,197,200	\$3,197,200

<sup>1</sup> Use standard abbreviations per the Salaries and Wages Supplement. Show any effective date or limited-term expiration date in parentheses if the position is not proposed for a full year or is not permanent, e.g. (exp 6-30-13) or (eff 1-1-13)

**Note: Information provided should appear in the same format as it would on the Changes in Authorized Positions.**

<sup>2</sup> If multiple programs require positions, please include a subheading under the classification section to identify positions by

<sup>3</sup> Totals must be rounded to the nearest thousand dollars before posting to the Fiscal Summary.

\a LT to Perm position(s) starting 7-1-14

\b New Perm position starting 7-1-14

**STATE OF CALIFORNIA**  
**Budget Change Proposal - Cover Sheet**  
 DF-46 (REV 03/13)

Fiscal Year 2014-2015	BCP No. 3	Org. Code 0860	Department State Board of Equalization	Priority No. 3
Program All Programs			Element All Elements	Component N/A

Proposal Title  
 HEADQUARTERS FACILITY CONSOLIDATION

Proposal Summary  
 The Board of Equalization (BOE) requests \$500,000 (\$253,000 General Fund, \$117,000 Special Funds and \$130,000 Reimbursements) for the BOE to reimburse the Department of General Services (DGS) for any reasonable costs and/or expenses to enter into a lease or other agreement with a private party for a facility to relocate the BOE's Headquarters and annex facilities to a consolidated location. The DGS estimates costs of \$500,000 for site search development and feasibility analysis will be expended in FY 2014-15; no increased costs for FY 2015-16, as this is part of the construction phase. For FY 2016-17 the BOE estimates \$1,450,000 in one-time moving costs and no increased rental costs (See Attachment A).

Requires Legislation <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No	Code Section(s) to be Added/Amended/Repealed
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Does this BCP contain information technology (IT) components? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No <i>If yes, departmental Chief Information Officer must sign.</i>	Department CIO	Date
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For IT requests, specify the date a Special Project Report (SPR) or Feasibility Study Report (FSR) was approved by the California Technology Agency, or previously by the Department of Finance.

FSR       SPR      Project No.      Date:

If proposal affects another department, does other department concur with proposal?       Yes       No  
*Attach comments of affected department, signed and dated by the department director or designee.*

Budget Officer	Date	Chief, Financial Management	Date
Deputy Director, Administration	Date	Executive Director	Date

**Department of Finance Use Only**

Additional Review:  Capital Outlay     ITCU     FSCU     OSAE     CALSTARS     Technology Agency

BCP Type:       Policy       Workload Budget per Government Code 13308.05

PPBA      Date submitted to the Legislature

**STATE BOARD OF EQUALIZATION  
Headquarters Facility Consolidation  
Fiscal Year 2014-15**

**A. Proposal Summary**

This proposal requests \$500,000 (\$253,000 General Fund, \$117,000 Special Funds and \$130,000 Reimbursements) for the Board of Equalization (BOE) to reimburse the Department of General Services (DGS) for any reasonable costs and/or expenses to enter into a lease or other agreement with a private party for a facility to relocate the BOE's Headquarters (HQ) and annex facilities to a consolidated location. The DGS estimates costs of \$500,000 for site search development and feasibility analysis will be expended in FY 2014-15; no increased costs for FY 2015-16, as this is part of the construction phase. For FY 2016-17 the BOE estimates \$1,450,000 in one-time moving costs and no increased rental costs (See Attachment A).

**B. Background/History**

The BOE HQ building is located at 450 N Street. Construction of the building began in 1991 and was completed in January 1993. The building is a twenty-four story office facility which includes a four level parking structure, ground floor cafeteria, and a children's daycare center. The property is owned by the State of California, and maintained and managed by DGS.

In February of 1993, the BOE moved its headquarters operations into the building and currently rents from DGS. At the time the BOE relocated to the Headquarters building, the facility was an adequate space for the number of employees and also held a growth factor.

**Insufficient to meet the BOE's business needs**

Prior to May 2010, approximately 2,900 of the BOE positions were assigned to the Headquarters location at 450 N Street; which was built to hold a maximum of 2,200 employees. The overcrowding is due largely to growth in the staffing level to address legislative mandates for revenue collection and enforcement efforts. As a result, the BOE has been forced to move approximately 25 percent of the HQ operations to annex locations, disjuncting staff and disrupting business functions. In order to be an efficient and effective organization, a consolidated workforce will enable the BOE to create new efficiencies while also accommodating long-term growth.

To address overcrowding issues, the BOE temporarily relocated approximately 700 employees and over one million taxpayer records to four annex locations, two in West Sacramento, one in Natomas, and one in downtown Sacramento.

The table below identifies the BOE programs and their annex locations as of June 1, 2013:

The BOE HQ Programs	Authorized Positions	Relocation Date	Annex
Motor Carrier/IFTA	54*	May 2010 (Permanent)	1030 Riverside W. Sacramento
Taxpayer Records	28	August 2008	3600 Industrial Blvd. W. Sacramento
Legal Office Board Proceedings	327	July 2010	621 Capitol Mall Sacramento
Tax Collection Programs External Affairs – Call Center Admin. Department - Training	315	December 2010	160 Promenade Sacramento
Main HQ Operations	2,171		450 N Street Sacramento
FY 12-13 BCP HQ Positions (start dates of 12-13 and 13-14)	251		
<b>TOTAL</b>	<b>3,146</b>		

\*This program will not be relocating to the new Headquarters consolidated location.

The addition of the annex facilities has provided room for approximately 700 employees that will not fit in the HQ building. However, these facilities are at maximum capacity and leave no room for current or future growth. Based on the BOE HQ analysis, the average 3-year annual growth trend is 125.0 PYs per year; there will not be adequate space for any new positions in the 450 N Street facility or any of the four HQ annex locations. With the approval of the FY 2013-14 Budget Change Proposals (BCP), approximately 267.0 new positions are to be located at the BOE HQ in fiscal years 2013-2014 and 2014-15.

As a result, if additional tax or fee programs are mandated approximately 12-months will be needed to locate facilities to house the new staff, further delaying program implementation. Given the critical revenue generating work performed by the BOE, it needs a facility that can house all HQ staff, with reasonable room for growth – similar to the Franchise Tax Board's (FTB) campus.

### C. State Level Considerations

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 districts. In fiscal year 2010-11, the BOE-administered taxes and fees produced \$53.7 billion for education, public safety, transportation, housing, health services, social services, and natural resource management. The BOE administers the state's sales and use, fuel, alcohol, tobacco, and other taxes and collects fees that fund specific state programs. More than one million businesses are registered with the agency.

Operating a Headquarters function from five locations creates inefficiencies that ultimately cost the state thereby affecting its net revenue stream. Consolidating all day-to-day operational management into one location will create an organization with the resources that can begin to exercise leadership to accomplish long overdue strategic goals necessary to provide quality public service. Operating the BOE's HQ from five locations has increased operational costs to support additional infrastructures, information technology, and telecommunications. The continuation of operating the BOE HQ out of five separate locations creates a working environment that is untenable and results in an inefficiency of business operations and unrecovered costs that are not easily quantifiable.

An additional consideration is the 1.4 million square feet of office space that DGS has been authorized to develop, pursuant to Government Code (GC) §Section 8169.6, known as the West End Office Complex. When the BOE vacates the 450 N Street building, approximately 640,000 square feet of existing state office space will become available for use by the DGS, in lieu of constructing a new building.

#### **D. Justification**

The BOE will be better served in a facility that meets sustainable design principles, provides a working environment that is among the best in the state, and promotes recruitment and retention of revenue collection staff for California. The BOE must consolidate into a sustainable designed facility scalable for growth where a culture of service will prosper. A more effective organization will emerge, dedicated to serving all Californians, by consolidating operations in a low to mid-rise facility, similar to the FTB campus.

On June 28, 2013, the DGS conducted a report titled *the Relocation and Consolidation Preliminary Study of the Board of Equalization* that includes the following:

Through these process improvements and resulting higher morale of the BOE staff, a 5 percent improvement in productivity is anticipated. Based on current annual non-voluntary revenue (revenue collected by enforcement personnel), this could potentially equate to an additional \$89 million in revenue generated by staff.

The Sacramento region's current real estate market conditions provide for some favorable opportunities for planning future state office development. The existing real estate market is soft: the housing market has surplus inventory with a mortgage lending crisis and the commercial office market and employment figures remain relatively flat. This unique combination of a slow real estate market and the availability of viable redevelopment areas create a strategic opportunity for the state to potentially lease before future transit-oriented, mixed-use centers become too costly or unavailable.

Approval of the requested funding will provide employees with a functional work environment in order to operate more efficiently and effectively in meeting the BOE's core business-activities of collecting the state's revenues. 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.

On July 3, 2013, the DGS updated information in their report titled *the Relocation and Consolidation Preliminary Study of the Board of Equalization* that includes the following:

The DGS shall undertake a preliminary study of the possible relocation and consolidation of the BOE headquarters and annexes in the Sacramento region. No later than June 30, 2013, the department shall report to the Joint Legislative Budget Committee (JLBC) the following:

- A business case, prepared either by the DGS or the BOE, examining the benefits and costs of consolidating the BOE headquarters and annexes in the Sacramento region.
- A planning timetable for acquiring or building consolidated facilities for the BOE.
- A complete set of options it will consider to provide such facilities as part of its overall planning process.
- Funding recommendations needed to carry out the facility planning process.
- Any recommendations on statutory authorizations necessary to move forward with the planning process.
- An examination of the potential future uses or plans for the current building at 450 N Street in Sacramento.

The DGS estimates costs of \$500,000 for site search development and feasibility analyses to be expended in FY 2014-15; no costs for FY 2015-16 as this is part of the construction phase. For FY 2016-17 the BOE estimates \$1,450,000 in one-time moving costs and no increased rental costs (See Attachment A).

**E. Outcomes and Accountability**

This proposal will enable the BOE to collaborate with DGS to prepare the Program Data Sheets to facilitate a Facility Design package and to identify a HQ site that is scalable for growth and meets the BOE's immediate and long-term business needs. The HQ employees will be consolidated to a location that meets the business needs of the BOE - securing business operations that allows the BOE to efficiently and effectively collect and generate revenue. The Deputy Director of Administration will maintain control and oversight of the site search.

**F. Analysis of All Feasible Alternatives**

**Alternative 1: Provide funding of \$500,000 in FY 2014-15 to fund site search development and feasibility analysis.**

Collaborate with DGS to prepare the Program Data Sheets to facilitate a Facility Design Package with which to solicit proposals, conduct site searches, and negotiate favorable long lease terms with responsive parties to provide the BOE a suitable facility in order to conduct its' statutory and business requirements. The BOE will pay DGS \$500,000 through an interdepartmental agreement based on DGS's price book to prepare a Facility Design Package and conduct a site search. This BCP provides for sufficient funding to conduct these initial activities.

**Pros:**

- Allows the BOE to locate needed facilities to meet our business needs to more effectively serve our taxpayers.
- Supports the BOE's mission of revenue generation and processing.
- Conforms to Government Code (GC) 14669(a) allowing DGS to lease a facility for the BOE which is compatible for the BOE's business needs.
- Plans for adequate space and reasonable program growth.
- Provides solutions to minimize staff disruptions, lost productivity, and revenue loss.
- Plans for the seamless transition of the 700 +/- employees from their temporary location into the new Headquarters facility at the end of the firm term of the existing leases.
- Through these process improvements and resulting higher morale of the BOE staff, a 5 percent improvement in productivity is anticipated. Based on current annual non-voluntary revenue (revenue collected by enforcement personnel), this could potentially equate to an additional \$89 million in revenue generated by staff.

**Cons:**

- Requires a budget augmentation.

**Alternative 2: Internal redirection of \$500,000 in Operating Expenses and Equipment (OE&E) to fund site search development and feasibility analysis.**

The BOE will pay DGS \$500,000 through an interdepartmental agreement based on DGS's price book to prepare a Facility Design Package and conduct a site search. Funding would come from an internal redirection of OE&E funds.

**Pros:**

- Eliminates budget augmentation.
- Allows the BOE to locate needed facilities to meet our business needs to more effectively serve our taxpayers.
- Supports the BOE's mission of revenue generation and processing.
- Conforms to GC 14669(a) allowing DGS to lease a facility for the BOE which is compatible for the BOE's business needs.
- Plans for adequate space and reasonable program growth.
- Provides solutions to minimize staff disruptions, lost productivity, and revenue loss.
- Plans for the seamless transition of the 700 +/- employees from their temporary location into the new Headquarters facility at the end of the firm term of the existing leases.
- Through these process improvements and resulting higher morale of the BOE staff, a 5 percent improvement in productivity is anticipated. Based on current annual non-voluntary revenue (revenue collected by enforcement personnel), this could potentially equate to an additional \$89 million in revenue generated by staff.

**Cons:**

- Disrupts existing support for revenue generating activities.
- Inhibits the BOE from moving forward with Strategic and Business plans to consolidate the HQ facility functions by redirecting OE&E funds to cover capital outlay needs.

**Alternative 3: Postpone Architectural Revolving Fund projects.**

Redirect internal funds of \$500,000 and postpone planned projects to fund the initial planning costs until additional funding is obtained.

**Pros:**

- Eliminates a need for budget augmentation.
- Allows the BOE to locate needed facilities to meet our business needs to more effectively serve our taxpayers.
- Supports the BOE's mission of revenue generation and processing.
- Conforms to GC 14669(a) allowing DGS to lease a facility for the BOE which is compatible for the BOE's business needs.
- Plans for adequate space and reasonable program growth.
- Provides solutions to minimize staff disruptions, lost productivity, and revenue loss.
- Plans for the seamless transition of the 700 +/- employees from their temporary location into the new Headquarters facility at the end of the firm term of the existing leases.

**Cons:**

- Disrupts implementation of 3-year facility master plan by redirecting internal funding.
- Aging facilities would continue to deteriorate without completing the necessary repairs.

**Alternative 4: Do not approve this request.**

Continue to operate the functions of the HQ Facility at five different locations.

**Pros:**

- Does not require a budget augmentation.
- Allows DGS to work on other facility related projects.

**Cons:**

- Does not allow the BOE to consolidate all day to day operational management jobs into one location that will advance an organization with the resources that can begin to exercise the leadership to accomplish long overdue reforms necessary to improve quality to public service.
- Inhibits the BOE's ability to strategically plan for its mission of revenue generation and processing.
- Does not allow planning for adequate space for reasonable program growth.
- A lack of long-term space planning provides challenges to the state and to the BOE's ability to work efficiently and effectively.
- HQ operations would remain disjointed due to the decentralization of the BOE's Headquarters' employees over five separate locations as a result of capacity limitations.

**G. Implementation Plan**

Upon approval of Alternative 1, the BOE will collaborate with DGS to conduct planning and site searches to implement this proposal beginning July 1, 2014. For the HQ relocation, a multi-year phased approach will be used for site selection (2015), construction (2015–2017), and moving over 3,000 employees from the BOE's HQ and annex facilities to a consolidated location which should be completed near the end of 2017.

**H. Supplemental Information (Space/Facility/Equipment Needs)**

None     Facility/Capital Costs     Equipment     Contracts     Other

Consulting and Professional Services will be necessary, as the BOE will initiate an interdepartmental agreement with DGS to prepare a Facility Design Package. The BOE will pay DGS \$500,000 for these services, based on DGS's price book.

**I. Recommendation**

**Alternative 1 is recommended.** Approve a budget augmentation of \$500,000 in FY 2014-15 to fund a Facility Design Package for the relocation of the BOE's HQ.

DRAFT

As reflected in the charts below, the BOE estimates \$1,450,000 one-time moving costs and no increased rental costs.

Moving Cost Estimates		
FY 2014-15	FY 2015-16	FY 2016-17
Site search development and feasibility analyses - \$500,000	Start construction	Initiate moves - \$1,450,000
Submit Form 10 to DGS/DOF for approval		*No increased rental costs
Submit JLBC notification		
DGS negotiates for lease and construction		
\$500,000	\$0	\$1,450,000

The BOE’s FY 2013-14, lease costs at 450 N Street (\$3.14 per square foot), 621 Capitol Mall (\$3.30 per square foot), and 160 Promenade Circle (\$2.31 per square foot) are scheduled to increase at least three percent per year. By FY 2016-17, the BOE will be looking at an average cost of \$3.29 per square foot on existing HQ properties.

Based upon private sector analysis, the BOE should be able to secure a new campus facility under a lease/build-to-suit procurement process at an estimated \$3.00 per square foot, if the State were to begin negotiations within the next 12 months. Developer and other incentives would cover employee moving costs estimated at \$500 per employee or about \$1.5 million. Accordingly, after the move, there should be a small savings for the BOE relative to what it would be paying at 450 N Street and the HQ annexes.

Rental Cost Estimates						
Facility	13/14			16/17		
	Sq. Footage (Ft)	13/14 Per Sq. Ft Rate	Per Annum Escalator	Projected Per Sq. Ft Rate **	Projected Rent Per Month	Projected Rent Per Year
450 N St. - Office	449,138	\$3.14	3%	\$3.42	\$1,537,219.72	\$18,446,636.63
450 N St. - Storage	14,077	\$1.05	3%	\$1.14	\$16,111.13	\$193,333.52
621 Capitol Mall	61,544	\$3.30	3%	\$3.64	\$224,160.00	\$2,689,920.00
160 Promenade Cir	60,989	\$2.31	3%	\$2.50	\$152,473.00	\$1,829,676.00
Total	585,748			Average \$3.29	\$1,929,963.85	\$23,159,566.14
New Facility *	585,748	\$3.00	3%	\$3.27	\$1,915,395.96	\$22,984,751.52

\* - Estimated

\*\* - Compounded to 9% between 13/14 - 16/17

If the average cost of the past building repairs (\$64M) at 450 N Street were factored in, the BOE paid approximately \$5.51 per square foot over the past five years (\$64M /5 years = \$12.8M/12 months/449,138sf = \$2.37 + \$3.14 = \$5.51).

The future building repairs are estimated at \$5M to \$7M per year for the next three years. This equates to an additional per square foot cost of \$0.93 (\$5M/12/449,138sf = \$0.93) to \$1.30 (\$7M/12/449,138sf = \$1.30) for a total cost of \$4.07 (\$3.14 + \$0.93 = \$4.07) to \$4.44 (\$3.14 + \$1.07 = \$4.44) per square foot cost without rent escalators.

DF-46 (REV 03/13)

**Fiscal Summary**  
(Dollars in thousands)

BCP No. <b>3</b>	Proposal Title <b>Headquarters Facility Consolidation</b>			Program <b>All Programs</b>			
<b>Personal Services</b>		<b>Positions</b>			<b>Dollars</b>		
	<b>CY</b>	<b>BY</b>	<b>BY + 1</b>	<b>CY</b>	<b>BY</b>	<b>BY + 1</b>	
Total Salaries and Wages <sup>1</sup>	0.0	0.0	0.0				
Total Staff Benefits <sup>2</sup>							
<b>Distributed Administration</b>							
<b>Total Personal Services</b>	0.0	0.0	0.0				
<b>Operating Expenses and Equipment</b>							
General Expense							
Distributed Administration							
Printing							
Communications							
Postage							
Travel-In State							
Travel-Out of State							
Training							
Facilities Operations							
Utilities							
Consulting & Professional Services: Interdepartmental <sup>3</sup>					\$500		
Consulting & Professional Services: External <sup>3</sup>							
Data Center Services							
Information Technology							
Equipment <sup>3</sup>							
Other/Special Items of Expense: <sup>4</sup>							
<b>Total Operating Expenses and Equipment</b>					\$500		
<b>Total State Operations Expenditures</b>					\$500		
<b>Fund Source</b>		<b>Item Number</b>					
	<b>Org</b>	<b>Ref</b>	<b>Fund</b>				
General Fund	0860	001	0001		\$253		
Special Funds <sup>5</sup>					\$117		
Federal Funds							
Other Funds (Specify)							
Reimbursements	0860	001	0995		\$130		
<b>Total Local Assistance Expenditures</b>							
<b>Fund Source</b>		<b>Item Number</b>					
	<b>Org</b>	<b>Ref</b>	<b>Fund</b>				
General Fund							
Federal Funds							
Other Funds (Specify)							
Reimbursements							
<b>Grand Total, State Operations and Local Assistance</b>					\$500		

<sup>1</sup> Itemize positions by classification on the Personal Services Detail worksheet.

<sup>2</sup> Provide benefit detail on the Personal Services Detail worksheet.

<sup>3</sup> Provide list on the Supplemental Information worksheet.

<sup>4</sup> Other/Special Items of Expense must be listed individually. Refer to the Uniform Codes Manual for a list of standard titles.

<sup>5</sup> Attach a Fund Condition Statement that reflects special fund or bond fund expenditures (or revenue) as proposed.



**Supplemental Information**

(Dollars in thousands)

<b>BCP No.</b> 3	<b>Proposal Title</b> Headquarters Facility Consolidation
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<b>Equipment</b>	<b>CY</b>	<b>BY</b>	<b>BY +1</b>
Standard Complement			
<b>Total</b>			

<b>Consulting &amp; Professional Services</b>			
Contract with DGS to prepare a Facility Design Package.		\$500	
<b>Total</b>		\$500	

<b>Facility/Capital Costs</b>			
<b>Total</b>			

<b>One-Time/Limited-Term Costs</b> Yes <input type="checkbox"/> No <input checked="" type="checkbox"/>						
<b>Description</b>	<b>BY</b>		<b>BY +1</b>		<b>BY +2</b>	
	<b>Positions</b>	<b>Dollars</b>	<b>Positions</b>	<b>Dollars</b>	<b>Positions</b>	<b>Dollars</b>
	0.0		0.0		0.0	

<b>Full-Year Cost Adjustment</b> Yes <input type="checkbox"/> No <input checked="" type="checkbox"/>						
<i>Provide the incremental change in dollars and positions by fiscal year.</i>						
<b>Item Number</b>	<b>BY</b>		<b>BY +1</b>		<b>BY +2</b>	
	<b>Positions</b>	<b>Dollars</b>	<b>Positions</b>	<b>Dollars</b>	<b>Positions</b>	<b>Dollars</b>
<b>Total</b>	0.0		0.0		0.0	

<b>Future Savings</b> Yes <input type="checkbox"/> No <input checked="" type="checkbox"/>						
<i>Specify fiscal year and estimated savings, including any decrease in positions.</i>						
<b>Item Number</b>	<b>BY</b>		<b>BY +1</b>		<b>BY +2</b>	
	<b>Positions</b>	<b>Dollars</b>	<b>Positions</b>	<b>Dollars</b>	<b>Positions</b>	<b>Dollars</b>
<b>Total</b>	0.0		0.0		0.0	





**STATE BOARD OF EQUALIZATION**  
**County-Assessed Properties Program**  
**Valuation Factors Studies for County-Assessed Properties**  
**Fiscal Year 2014-2015**

**A. Proposal Summary**

The Board of Equalization (BOE) requests \$367,000 (General Fund (GF)) and 2.0 permanent positions in Fiscal Year (FY) 2014-15 and \$305,000 (GF) and 2.0 positions ongoing for the BOE County-Assessed Properties Division (CAPD) 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 BOE. Pursuant to Section 401.20 of the Revenue and Taxation Code, 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.

The presumption provided in Section 401.20 of the Revenue and Taxation Code expires 6 years after the most recent study leading to the development of new factors in order to ensure future assessments are not based on dated studies. Therefore, the rebuttable presumption provision in Section 401.20 will no longer apply after January 1, 2015 unless the BOE conducts a review. Additionally, CAPD has received requests from industry representatives to conduct valuation factors studies for property of other industries. 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.

This proposal addresses the unstaffed area within the CAPD. Currently, positions needed to perform valuation studies are not available due to an increased workload in other mandated areas. If the BOE is going to continue engaging in valuation factors studies, CAPD needs to be adequately staffed. In the past few years, resources were redirected from other areas to conduct valuation studies because permanent funding was not received. But this has hampered CAPD's ability to perform its mandated duties in other areas. Without the approval of this Budget Change Proposal (BCP), the BOE will not be able to effectively or efficiently perform the demands of the mandated workload and perform the valuation factors studies.

If the BOE does not receive the requested positions, CAPD cannot conduct valuation factor studies, which will result in a lack of uniformity in assessment. It will also result 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 factors (developed from valuation factors studies) for use by all county assessors.

**B. Background/History**

The BOE has taken steps to address issues involving the valuation of personal property and fixtures and has worked closely with county assessors and the business community to resolve various valuation issues in order to arrive at industry-specific valuation factors. For example, in 1994 the BOE participated in a market-based industry study that resulted in the BOE adopting valuation factors for semiconductor manufacturing equipment. During 1995, the BOE developed three tables of valuation factors for use in valuing personal computers, mid-range computers, and mainframe computers that were based on analysis of used computer equipment sales in the open market. Additionally, in 1999, the BOE adopted valuation factors for use in valuing fixtures and personal property of the biopharmaceutical industry after conducting an analysis of information provided by the industry.

In FY 1999-2000, the Budget Act appropriated \$250,000 to the BOE for assessment studies that were required to obtain the data to update replacement cost factors and useful life tables used in the valuation of equipment and other business property. As a result, the BOE developed and released a Request for Proposal seeking the assistance of an outside consultant to perform a preliminary business property assessment study of 14 industries. Included in the industries to be studied were biopharmaceutical research and manufacturing, computer manufacturing and assembly, semiconductor, and electronic manufacturing and assembly. Unfortunately, no bids were received and the \$250,000 was reverted back to the General Fund.

BCP No. 6 was approved in 2006 that provided 2.0 positions on a 2-year limited term basis for FY 2006-07 and FY 2007-08 to create and participate on teams to conduct studies in the development of valuation factors for three classes of property: biopharmaceutical industrial equipment and fixtures, non-production computer equipment, and semiconductor manufacturing equipment. Assembly Bill 2182 (statutes of 2006, Ch. 417) was a companion measure to the proposed budget funding to conduct valuation factor studies for the above mentioned three classes of property. This bill added Section 401.20 to the Revenue and Taxation Code to provide that values determined by use of these factors are rebuttably presumed to be the full cash value of that property. Under the rebuttable presumption set forth in Section 401.20, either the assessor or the taxpayer have the right to present evidence supporting values that are different from those based on the published valuation factors in order to attempt to overcome the presumption. If either the assessor or the taxpayer presents evidence supporting values different than those based on the published factors, then that party would bear the burden of proof.

Each valuation study team consisted of a Principal Property Appraiser and Senior Specialist Property Auditor Appraiser from the BOE, in addition to 2 industry representatives and 2 representatives from the assessors' offices. The studies were completed and the valuation factors were adopted by the Board and included in Assessors' Handbook Section 581, *Equipment and Fixtures Index, Percent Good and Valuation Factors* (AH 581).

On August 14, 2007, the Board approved a BCP, *Maximize Fairness and Education in County Assessment Standards Program*, which in part requested funding to continue the Valuation Factors Studies Unit. The proposal was to make permanent 1.0 Principal Property Appraiser position and 1.0 Senior Specialist Property Auditor Appraiser position, scheduled to expire on June 30, 2008, to conduct studies in development of valuation factors for specific industry types undergoing technological innovation for the purpose of arriving at accurate estimates of market value for property taxation. The proposal was denied by the Department of Finance (DOF).

Although funding was denied by the DOF to continue the studies, the Board directed staff to reallocate existing resources to conduct future valuation studies and to develop procedures for these studies, during the Board's June 24, 2008 meeting. Additionally, the BOE staff was directed to present the procedures for these studies to the Property Tax Committee for discussion. On September 16, 2008, the Board adopted the staff recommended petition procedures and guidelines (Procedures); the Procedures were incorporated into the 2009 revision of AH 581 adopted by the Board on November 13, 2008. Following adoption of the procedures and guidelines, CAPD conducted valuation factors studies on document processing equipment and offset lithographic printing presses. Resources were reallocated to these studies from other CAPD units to the detriment of those other units. For example, a senior property auditor-appraiser redirected from CAPD's assessment services unit resulted with delays in personal property assessment and audit guidance provided to assessors and other interested parties including updates to Assessors' Handbook sections. Additionally, the redirection caused delays in assessment practices surveys.

### **C. State Level Considerations**

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 districts. In fiscal year 2010-11, the BOE administered taxes and fees produced \$53.7 billion for education, public safety, transportation, housing, health services, social services, and natural resource management. The BOE administers the state's sales and use, fuel, alcohol, tobacco, and other taxes and collects fees that fund specific state programs. More than one million businesses are registered with the agency.

This proposal is 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.

**D. Justification**

The BOE is mandated by Government Code Sections 15606 and 15608 to issue instructions to assessors to promote uniformity in property assessment throughout the state. 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.

In order to ensure that the presumption of correctness is not extended to assessments based upon dated studies in the future, the presumption provided in Section 401.20 expires 6 years after the most recent study leading to the development of new factors. Therefore, commencing with lien date January 1, 2015 the rebuttable presumption provision in Section 401.20 will no longer apply unless the BOE conducts a review of the valuation factors for non-production computer equipment, semiconductor manufacturing equipment, and biopharmaceutical industrial equipment and fixtures.

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. If the BOE does not receive the requested positions, CAPD cannot conduct valuation factor studies, which will result in a lack of uniformity in assessment. It will also result 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 factors (developed from valuation factors studies) for use by all county assessors. For example, we have an industry that recently requested that CAPD conduct a valuation factor study. This industry currently has appeals filed in 57 counties. Each appeal results with a cost to the county and to industry. Historical practice has demonstrated that appeals are not filed on property of industries with valuation factors that resulted from valuation factors studies. If CAPD is adequately staffed, the BOE will be able to conduct valuation factor studies on these types of industries, which will result with less cost to counties and industry.

**E. Outcomes and Accountability**

The outcomes will be measured by the number of studies conducted during each fiscal year, as well as, by new factors published in AH 581. There are currently seven outstanding valuation factors studies. It is estimated that 1,300 hours per position are needed per study. The valuation factors studies will begin in 2014-15, with staff conducting an average of two studies per year. The completed studies will be published in the year following commencement. Although there are currently seven outstanding valuation factors studies, CAPD anticipates receiving additional requests to conduct valuation factors studies in the future. AH 581 includes petition procedures for interested parties to use when requesting that the BOE conduct a valuation factors study.

**Projected Outcomes**

<b>Workload Measure</b>	<b>2014-15</b>	<b>2015-16</b>	<b>2016-17</b>
Commence and conduct Valuation Factor Studies	3	2	2
Publish Valuation Factors Studies in AH 581	N/A	3	2

**F. Analysis of All Feasible Alternatives**

**Alternative 1 – Requests \$367,000 in FY 2014-15 and \$305,000 ongoing for 2.0 permanent positions to create and participate on teams that will conduct studies to update the valuation factors for non-production computer equipment, semiconductor manufacturing equipment, and biopharmaceutical industry equipment and fixtures previously adopted by the Board. The positions will also conduct valuation factors studies for other industries.**

Under this alternative, the BOE will contact county assessors, industry representatives, and other interested parties to form teams that will analyze data and update the non-production computer equipment, semiconductor manufacturing equipment, and biopharmaceutical industry equipment and fixtures. The BOE will also contact county assessors, industry representatives, and other interested parties to form teams that will analyze data and create valuation factors for other industries as needed. CAPD has received requests from industry to conduct valuation factors studies of satellite set-top boxes, food processing equipment, wind turbines, and high-speed production printers. CAPD anticipates receiving requests to conduct other valuation factors studies from industry in the future.

**Pros:**

- Allows reviews on non-production computer equipment, semiconductor manufacturing equipment, and biopharmaceutical industry equipment and fixtures previously adopted by the Board, thus extending the rebuttable presumption provided in Section 401.20 past the lien date of January 1, 2015.
- Assists in the avoidance of costly and time-consuming appeals and litigation for local government and taxpayers.
- Allows a review of current data to determine if the information contained in AH 581 results in accurate estimates of value and provides the BOE with a reliable foundation for value indicators for specific types of equipment.
- Provides industry and other interested parties an opportunity to provide input and expertise in the development of updated valuation factors.
- Provides county assessors and industry representatives with the foundation necessary to accurately value property.
- Fosters assessments made via more accurate estimates of fair market value; thus, lessening public aversion to the use of property tax as a vehicle to fund government services.
- Ensures equitable treatment and fairness to taxpayers in the assessment of personal property and fixtures and promotes assessment uniformity.

**Cons:**

- Requires a General Fund budget augmentation.
- Necessitates participation by industry and county assessors to provide relevant data for studies to be viable.

**Alternative 2 - Obtain funding for 2.0 positions on a three-year limited term basis to create and participate on teams that will conduct studies to update the valuation factors for non-production computer equipment, semiconductor manufacturing equipment, and biopharmaceutical industry equipment and fixtures previously adopted by the Board. The positions will also conduct a few other valuation factors studies for other industries.**

**Pros:**

- Allows reviews on non-production computer equipment, semiconductor manufacturing equipment, and biopharmaceutical industry equipment and fixtures previously adopted by the Board, thus extending the rebuttable presumption provided in Section 401.20 past the lien date of January 1, 2015.
- Assists in the avoidance of costly and time-consuming appeals and litigation for local government and taxpayers in reference to property of industries reviewed during the three-year period.
- Allows a review of current data to determine if the information contained in AH 581 results in accurate estimates of value and provides the BOE with a reliable foundation for value indicators for specific types of equipment.
- Provides industry and other interested parties an opportunity to provide input and expertise in the development of updated valuation factors.

- Provides county assessors and industry representatives with the foundation necessary to accurately value property of the industries reviewed during the three-year period.
- Fosters assessments made via more accurate estimates of fair market value; thus, lessening public aversion to the use of property tax as a vehicle to fund government services during the three year period.
- Ensures equitable treatment and fairness to taxpayers in the assessment of personal property and fixtures and promotes assessment uniformity during the three-year period.

**Cons:**

- Requires a General Fund budget augmentation.
- Necessitates participation by industry and county assessors to provide relevant data for studies to be viable.
- Limits review of property to certain industries. Based on historical practice, the three year limited term positions would be able to complete reviews on non-production computer equipment, semiconductor manufacturing equipment, and biopharmaceutical industry equipment and fixtures previously adopted by the Board, and 2 additional valuation factors studies.
- Prevents the BOE to continue to 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 past the three year period.

**Alternative 3 - Continue to use the valuation factors for non-production computer equipment, semiconductor manufacturing equipment, and biopharmaceutical industry equipment and fixtures previously adopted by the Board and do not conduct other valuation studies.**

Alternative 3 requests no funding for positions or equipment.

**Pros:**

- Does not require a General Fund Budget Augmentation.

**Cons:**

- Increases the number of property tax appeals which are costly to industry and to local county assessors and are resolved on a case-by-case basis.
- Ignores the Valuation Factors Studies workload needs. Consequently, the BOE cannot conduct reviews for non-production computer equipment, semiconductor manufacturing equipment, and biopharmaceutical industrial equipment and fixtures.
- Allows the expiration of the rebuttable presumption provision in Section 401.20.
- Does not allow the BOE to respond to changing environments and be proactive in conducting valuations 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.

**G. Implementation Plan**

The proposal will be implemented on July 1, 2014, with the hiring of 2.0 additional staff. The BOE will create and participate on teams to conduct studies and update the valuation factors for non-production computer equipment, semiconductor manufacturing equipment, and biopharmaceutical industry equipment and fixtures that were previously adopted by the BOE. Commencing with lien date January 1, 2015, the rebuttable presumption provision in Section 401.20 will no longer apply unless the BOE conducts a review.

The BOE will conduct studies in the development of valuation factors used to value specific industry types that are experiencing rapid technological innovation. Staff will evaluate what types of industries fall in this category based on information received from assessors and industry; then determine a project schedule. Staff will contact and interact with county assessors, industry representatives, and other interested parties in an effort to analyze data and create valuation factors for specific types of commercial or industrial equipment.

July 2014 – June 2015	July 2015 – June 2016	July 2016 – June 2017
<ul style="list-style-type: none"> <li>• Hire staff to create and participate on teams that will conduct studies to update the valuation factors for non-production computer equipment, semiconductor manufacturing equipment, and biopharmaceutical industry equipment and fixtures (three classes of property) previously adopted by the BOE.</li> <li>• Obtain and analyze data of the three classes of property.</li> <li>• Participate in discussions with assessors and industry to determine other types of equipment to study (may include satellite set-top boxes, food processing equipment, wind turbines, and/or high-speed production printers).</li> </ul>	<ul style="list-style-type: none"> <li>• Complete studies to update the three classes of property previously adopted by the BOE.</li> <li>• Make recommendations to our Board for adoption of updated valuation factors for the three classes of property.</li> <li>• Obtain and analyze data for other studies (may include satellite set-top boxes, food processing equipment, wind turbines, and/or high-speed production printers) to develop valuation factors.</li> </ul>	<ul style="list-style-type: none"> <li>• Complete studies to develop valuation factors for other studies (may include satellite set-top boxes, food processing equipment, wind turbines, and/or high-speed production printers).</li> <li>• Make recommendations to the Board for adoption.</li> <li>• Review petitions from industry requesting valuation studies for other industries.</li> <li>• Participate in discussions with assessors and industry to determine type of equipment to study.</li> <li>• Obtain and analyze data for other studies.</li> </ul>

**H. Supplemental Information** (Check box(es) below and provide additional descriptions.)

- None     
  Facility/Capital Costs     
  Equipment     
  Contracts     
  Other \_\_\_\_\_

**I. Recommendation**

**Alternative 1 is recommended.**

Approval of these positions will allow the BOE to effectively and efficiently perform the mandated workload demands as defined above. Approval will also facilitate the objective of validating or updating information contained in AH Section 581 relative to the valuation factors for specific types of equipment experiencing technological innovation.

## Workload Detail for Valuation Factors Studies

### PROPERTY AND SPECIAL TAXES DEPARTMENT (PSTD)

The following chart summarizes the workload and hours for each study for the Business Taxes Administrator II (BTA II) and Business Taxes Specialist II (BTS II).

<b>Workload Per Study</b>	<b>BTA II</b>	<b>BTS II</b>
Develop methodology for project	260	40
Meet with industry representatives and county assessors	140	60
Collect data for project—audit company's books	40	540
Contact other states and other state agencies for comparable studies or data; identify other sources	60	0
Develop valuation factors—analyze data collected	40	600
Oversee interested parties process—provide draft materials and chair meetings	240	20
Move project through administrative process—oversee process to facilitate adoption by the BOE	260	20
Updates to existing studies	260	20
<b>Total Hours Needed per Study</b>	<b>1,300</b>	<b>1,300</b>
<b>Current Number of Potential Studies <i>_a/</i></b>	<b>7</b>	<b>7</b>
<b>Total Hours Needed to Complete Potential Studies</b>	<b>9,100</b>	<b>9,100</b>
<b>Total Positions Required <i>_b/</i></b>	<b>1.0</b>	<b>1.0</b>
<b>Hours per Position</b>	<b>1,800</b>	<b>1,800</b>
<b>Number of years to Complete Current Potential Workload <i>_c/</i></b>	<b>5.0</b>	<b>5.0</b>

*\_a/* Based on current potential workload (non-production computer equipment, semiconductor manufacturing equipment, and biopharmaceutical industry equipment and fixtures, satellite set-top boxes, food processing equipment, wind turbines, and high-speed production printer) there are seven outstanding valuation factors studies.

*\_b/* Requesting 1 BTA II position and 1 BTS II position to conduct valuation factors studies on an ongoing basis to address current and future requests from industry to conduct these studies.

*\_c/* Based on 1,800 hours per position. Estimated work time based on experience with previous studies. Rounded to the nearest full position. Current potential workload would take staff approximately 5 years to complete.

DF-46 (REV 03/13)

**Fiscal Summary**

(Dollars in thousands)

BCP No.	Proposal Title			Program		
<b>5</b>	<b>Valuation Factors Studies</b>			<b>CAPD</b>		
<b>Personal Services</b>	<b>Positions</b>			<b>Dollars</b>		
	<b>CY</b>	<b>BY</b>	<b>BY + 1</b>	<b>CY</b>	<b>BY</b>	<b>BY + 1</b>
Total Salaries and Wages <sup>1</sup>	0.0	2.0	2.0		\$158	\$158
Total Staff Benefits <sup>2</sup>					\$72	\$72
<b>Distributed Administration</b>					\$27	\$22
<b>Total Personal Services</b>	0.0	2.0	2.0		\$257	\$252
<b>Operating Expenses and Equipment</b>						
General Expense					\$30	\$5
Distributed Administration					\$7	\$6
Printing						
Communications					\$4	\$3
Postage						
Travel-In State					\$3	\$3
Travel-Out of State						
Training					\$2	\$2
Facilities Operations					\$48	\$23
Utilities						
Consulting & Professional Services: Interdepartmental <sup>3</sup>						
Consulting & Professional Services: External <sup>3</sup>						
Data Center Services					\$5	\$5
Information Technology					\$11	\$6
Equipment <sup>3</sup>						
Other/Special Items of Expense: <sup>4</sup>						
<b>Total Operating Expenses and Equipment</b>					\$110	\$53
<b>Total State Operations Expenditures</b>					\$367	\$305
<b>Fund Source</b>	<b>Item Number</b>					
	<b>Org</b>	<b>Ref</b>	<b>Fund</b>			
General Fund	0860	001	0001		\$367	\$305
Special Funds <sup>5</sup>						
Federal Funds						
Other Funds (Specify)						
Reimbursements	0860	001	0995			
<b>Total Local Assistance Expenditures</b>						
<b>Fund Source</b>	<b>Item Number</b>					
	<b>Org</b>	<b>Ref</b>	<b>Fund</b>			
General Fund						
Special Funds <sup>5</sup>						
Federal Funds						
Other Funds (Specify)						
Reimbursements						
<b>Grand Total, State Operations and Local Assistance</b>					\$367	\$305

<sup>1</sup> Itemize positions by classification on the Personal Services Detail worksheet.<sup>2</sup> Provide benefit detail on the Personal Services Detail worksheet.<sup>3</sup> Provide list on the Supplemental Information worksheet.<sup>4</sup> Other/Special Items of Expense must be listed individually. Refer to the Uniform Codes Manual for a list of standard titles.<sup>5</sup> Attach a Fund Condition Statement that reflects special fund or bond fund expenditures (or revenue) as proposed.

