

STATE OF CALIFORNIA
Budget Change Proposal - Cover Sheet
 DF-46 (REV 07/14)

Fiscal Year 2016-17	Business Unit 0860	Department State Board of Equalization	Priority No. 2
Budget Request Name 0860-002-BCP-2016-GB		Program 9900100 - ADMINISTRATION	Subprogram

Budget Request Description
 Appeals Division's Business Taxes Program and Settlement Workload

Budget Request Summary

The Board of Equalization (BOE) requests \$5.7 million (\$3.7 million General Fund, \$2 million Reimbursement, and \$73,000 in Special Fund) and 22.0 permanent positions (continuation of 22.0 limited term positions, set to expire June 30, 2016) and 12.0 additional two-year limited term (LT) positions in Fiscal Year (FY) 2016-17. \$5.5 million (\$3.5 million General Fund, \$1.9 million Reimbursement and \$70,000 in Special Fund) in FY 2017-18. And \$3.7 million (\$2.3 million General Fund, \$1.3 million Reimbursement and \$47,000 in Special Fund) for FY 2018-19 and ongoing to address the increase in combined incoming workload of 108 percent for the Appeals Division's Business Taxes Section (Appeals Program) and Settlement Programs from FY 2010-11 through FY 2014-15.

Requires Legislation <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No	Code Section(s) to be Added/Amended/Repealed
---	--

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
---	----------------	------

For IT requests, specify the date a Special Project Report (SPR) or Feasibility Study Report (FSR) was approved by the Department of Technology, or previously by the Department of Finance.

<input type="checkbox"/> FSR <input type="checkbox"/> 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.

Prepared By	Date	Reviewed By	Date
Department Director	Date	Agency Secretary	Date

Department of Finance Use Only			
Additional Review: <input type="checkbox"/> Capital Outlay <input type="checkbox"/> ITCU <input type="checkbox"/> FSCU <input type="checkbox"/> OSAE <input type="checkbox"/> CALSTARS <input type="checkbox"/> Technology Agency			
BCP Type: <input type="checkbox"/> Policy <input type="checkbox"/> Workload Budget per Government Code 13308.05			
PPBA		Date submitted to the Legislature	

Analysis of Problem

A. Budget Request Summary

The Board of Equalization (BOE) requests \$5.7 million (\$3.7 million General Fund, \$2 million Reimbursement, and \$73,000 in Special Fund) and 22.0 permanent positions (continuation of 22.0 limited term positions, set to expire June 30, 2016) and 12.0 additional two-year limited term (LT) positions in Fiscal Year (FY) 2016-17. \$5.5 million (\$3.5 million General Fund, \$1.9 million Reimbursement and \$70,000 in Special Fund) in FY 2017-18. And \$3.7 million (\$2.3 million General Fund, \$1.3 million Reimbursement and \$47,000 in Special Fund) for FY 2018-19 and ongoing to address the increase in combined incoming workload of 108 percent for the Appeals Division's Business Taxes Section (Appeals Program) and Settlement Programs from FY 2010-11 through FY 2014-15.

B. Background/History

The Appeals and Settlement Programs both perform legal services in cases where taxpayers and fee payers (hereafter taxpayers) dispute tax and fee (hereafter tax) liabilities. The Appeals Program holds appeals conferences and prepares independent and neutral legal review of business tax disputes that arise once a billing (Notice of Determination) has been issued by the agency and the taxpayer has, in response, filed a Petition for Redetermination. A taxpayer need not pay any portion of the tax liability in order to file a Petition for Redetermination. In other words, until the appeals process is completed, taxes cannot be collected on the disputed liability. Thus, it is critical to accelerate appeals cases as much as possible in order to move cases to a collectible state and maximize the potential for collecting funds that are due.

The Appeals Program conference holders (either attorneys or auditors) conduct appeals conferences wherein the parties (the agency and the taxpayer) present their arguments to the conference holder and the conference holder collects evidence regarding the legal and factual issues in each appeal. The conference holder then drafts a Decision & Recommendation (D&R) setting forth the facts and contentions of both parties, thoroughly analyzing the facts and contentions in light of the applicable law, and recommending a resolution to the matter with respect to the issues presented and the liability of tax. A taxpayer may either accept the D&R or further appeal its case to the five-member Board of Equalization. If the taxpayer or the agency request that the Appeals Program reconsider its analysis, the conference holder will review the request for reconsideration, including additional evidence and arguments, and then issue a Supplemental Decision and Recommendation (SD&R), providing a thorough analysis and recommendation on the matter.

The Settlement Program conducts administrative settlement negotiations on disputed tax liabilities based on the risks and costs of litigation. Taxpayers are eligible to request settlement consideration at the time they submit a Petition for Redetermination. Since taxpayers are not required to pay their disputed liabilities in order to file a Petition for Redetermination, it is critical that settlement cases are accelerated as much as possible to maximize the potential for collecting funds due while businesses are viable and able to pay. Taxpayers who have reached settlement pay the agreed settlement amount either within 30 days of approval of the settlement, or within 12 to 24 months, as needed. The settlement program is a streamlined, efficient process for reaching agreement with taxpayers based on the risks and costs of litigation and accelerating voluntary payment of agreed settlement amounts.

Attorneys and auditors performing this work are called settlement officers (SO's). SO's evaluate settlement proposals, review audit case files, analyze the risks and cost of potential litigation, propose appropriate settlement ranges to reviewers for approval, conduct negotiations, draft

Analysis of Problem

settlement agreements, and prepare Attorney General and Executive Management memorandums recommending settlements for the five-member Board or Executive Management approval.

The Southern California Appeals and Settlement units (pilot) were established effective October 1, 2010, to address significant increases in incoming workload that began in FY 2007-08 for the Appeals and Settlement Programs and to accelerate the revenue¹ associated with that workload. Taxpayers began filing significantly more appeals and settlement requests, and disputing more vigorously the proposed tax assessments during the 2007-08 recession. The 22-person unit was staffed roughly equally between the Appeals and Settlement Programs, with auditors and attorneys conducting appeals conferences and holding settlement negotiations with taxpayers who had entered the appeals process by filing petitions for redetermination with the Board.

The pilot positions have successfully accelerated the resolution of an additional 3,206 cases valued at \$477.8 million since the pilot's inception in 2010.

The positions for the pilot were originally established to work a backlog of cases; however, the incoming workload for the Appeals and Settlement Programs as a whole has increased throughout the initial four-year pilot and the subsequent two-year continuation of the pilot. To demonstrate the growth of the taxpayer demand from the beginning of the pilot to now (FY 2010-11 to FY 2014-15), incoming workload for both Programs combined has increased 108 percent.

Appeals and Settlement Divisions Workload History								
*Includes Southern California Appeals and Settlements Positions beginning January 3, 2011.								
	FY 07/08	FY 08/09	FY 09/10	FY 10/11*	FY 11/12	FY 12/13	FY 13/14	FY 14/15
Beginning Inventory	695	699	1,017	1,387	1,407	1,586	1,603	2,011
Incoming Cases	834	1,092	1,260	1,208	1,449	1,466	2,001	2,514
Completed Cases	830	774	890	1,188	1,270	1,449	1,593	1,751
Fiscal Year Ending Inventory	699	1,017	1,387	1,407	1,586	1,603	2,011	2,774

C. State Level Considerations

The BOE collects taxes and fees that provide more than 30 percent of the annual revenue for state government and essential funding for counties, cities, and special districts. In FY 2013-14, the BOE-administered taxes and fees produced \$60.4 billion for education, public safety, transportation, housing, health services, social services, and natural resource management. The BOE administers

¹ Accelerated revenue, as discussed herein, refers to the estimated revenues that are either moved closer to collection by the Appeals Division following the issuance of a Decision and Recommendation, or amounts taxpayers agree to pay pursuant to a settlement agreement, which are either already paid, collected within 30 days of approval of the settlement, or pursuant to a payment plan of up to 24 months. Accelerated resolution of disputed tax liabilities benefits taxpayers financially by limiting the accrual of interest, limiting costs in disputing their tax liabilities, and supports taxpayer confidence in the effectiveness of California's tax system.

Analysis of Problem

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 to maximize voluntary compliance in the BOE's Tax and Fee Program and enhance operational effectiveness.

D. Justification

The significant growth in incoming workload for the Appeals and Settlement programs has created a gap between the amount of work to be done and the workload capacity of the programs. The positions for the Southern California Appeals and Settlement pilot have been critical in minimizing the gap between incoming cases and completed cases by processing approximately 852 cases annually, however, a backlog of cases has developed as demand for Taxpayer Appeals and Settlement services continues to increase. The increases are believed to be related to the 2007-08 recession as well as increased outreach by the agency to improve taxpayer education as to available options for resolving disputed tax liabilities.

The ending inventory (backlog) of cases has increased from 699 cases in FY 2007-08 to 2,774 cases in FY 2014-15. The positions requested in this proposal are expected to address 1,255 cases annually which will minimize the growing backlog of cases, assuming demand for services remains steady at the 2014-15 level.

E. Outcomes and Accountability

Assuming that demand for the Appeals and Settlement services remains at the FY 2014/15 level, a backlog of over 5,700 cases will develop by FY 2019-20 if the positions requested in this proposal are approved. Without the pilot positions and the additional requested positions, a backlog of just under 10,000 cases will develop by FY 2019-20.

Projected Outcomes

Includes 22.0 positions converted to permanent and 12.0 additional 2 year LT positions					
	FY 15/16	FY 16/17	FY 17/18	FY 18/19	FY 19/20
Beginning Inventory	2,774	3,537	3,897	4,257	5,020
Incoming Cases	2,514	2,514	2,514	2,514	2,514
Completed Cases	1,751	2,154	2,154	1,751	1,751
Fiscal Year Ending Inventory	3,537	3,897	4,257	5,020	5,783

F. Analysis of All Feasible Alternatives

Alternative 1 - Provide Permanent funding for 22.0 positions and two-year Limited Term funding for 12.0 positions to address Appeals and Settlement Program workloads.

Under this alternative, resources being requested are based on making 22.0 limited term positions permanent and adding an additional 12.0 limited term positions to address increased workload in the Appeals and Settlements Programs.

Analysis of Problem

Unit	Limited Term Positions to Permanent	Start Date	FY 2016-17	FY 2017-18	Ongoing
Board Proceedings	Associate Governmental Program Analyst	07/01/16	1.0	1.0	1.0
Appeals	Tax Counsel IV	07/01/16	1.0	1.0	1.0
Appeals	Tax Counsel III (Supervisor)	07/01/16	1.0	1.0	1.0
Appeals	Tax Counsel III (Specialist)	07/01/16	2.0	2.0	2.0
Appeals	Business Taxes Specialist III	07/01/16	3.0	3.0	3.0
Appeals	Business Taxes Specialist II	07/01/16	4.0	4.0	4.0
Appeals	Tax Technician III	07/01/16	1.0	1.0	1.0
Settlements	Tax Counsel III (Spec)	07/01/16	2.0	2.0	2.0
Settlements	Business Taxes Specialist III	07/01/16	1.0	1.0	1.0
Settlements	Business Taxes Specialist II	07/01/16	6.0	6.0	6.0
Total Positions by Fiscal Year			22.0	22.0	22.0
Unit	New Limited Term Positions	Start Date	FY 2016-17	FY 2017-18	Ongoing
Appeals	Tax Counsel III (Spec)	07/01/16	1.0	1.0	
Appeals	Business Taxes Specialist III	07/01/16	2.0	2.0	
Appeals	Legal Secretary	07/01/16	1.0	1.0	
Settlements	Business Taxes Specialist III	07/01/16	2.0	2.0	
Settlements	Business Taxes Specialist II	07/01/16	3.0	3.0	
Settlements	Staff Services Analyst (General)	07/01/16	2.0	2.0	
Settlements	Tax Counsel III (Spec)	07/01/16	1.0	1.0	
Total Positions by Fiscal Year			12.0	12.0	0.0

Pros:

- Addresses increased workload for the Appeals and Settlement Programs by completing an estimated 2,154 cases in FYs 2016-17 and 2017-18, and 1,751 cases annually thereafter. Permits flexibility in monitoring the extent of increased demand for two additional years.
- Promotes faster resolution of tax disputes, accelerates revenue to a collectible state, and promotes voluntary compliance with the tax laws.
- A taxpayer need not pay any portion of the tax liability in order to file a Petition for Redetermination; therefore, taxes cannot be collected on a disputed liability until the appeals process is completed. This proposal accelerates resolution of cases valued at an estimated \$113,180,000 in 2016-17 and 2017-18 and \$84,900,000 annually thereafter for the additional cases completed by the 34 positions and 22 positions respectively.
- Limits the backlog of cases to around 5,700 cases by FY 2019-20.

Cons:

- Requires a budget augmentation.

Alternative 2 - Provide permanent funding for 34.0 Permanent Positions (conversion of 22.0 Limited Term positions to Permanent and 12.0 new positions) to address Appeals and Settlement Program workloads.

Under this alternative, resources being requested are based on making 22.0 limited term positions permanent and adding 12.0 permanent positions to address the increased demand for the Appeals and Settlement Programs.

Analysis of Problem

Unit	Limited Term Positions to Permanent	Start Date	FY 2016-17	FY 2017-18	Ongoing
Board Proceedings	Associate Governmental Program Analyst	07/01/16	1.0	1.0	1.0
Appeals	Tax Counsel IV	07/01/16	1.0	1.0	1.0
Appeals	Tax Counsel III (Supervisor)	07/01/16	1.0	1.0	1.0
Appeals	Tax Counsel III (Specialist)	07/01/16	2.0	2.0	2.0
Appeals	Business Taxes Specialist III	07/01/16	3.0	3.0	3.0
Appeals	Business Taxes Specialist II	07/01/16	4.0	4.0	4.0
Appeals	Tax Technician III	07/01/16	1.0	1.0	1.0
Settlements	Tax Counsel III (Spec)	07/01/16	2.0	2.0	2.0
Settlements	Business Taxes Specialist III	07/01/16	1.0	1.0	1.0
Settlements	Business Taxes Specialist II	07/01/16	6.0	6.0	6.0
Total Positions by Fiscal Year			22.0	22.0	22.0
Unit	New Permanent Positions	Start Date	FY 2016-17	FY 2017-18	Ongoing
Appeals	Tax Counsel III (Spec)	07/01/16	1.0	1.0	1.0
Appeals	Business Taxes Specialist III	07/01/16	2.0	2.0	2.0
Appeals	Legal Secretary	07/01/16	1.0	1.0	1.0
Settlements	Business Taxes Specialist III	07/01/16	2.0	2.0	2.0
Settlements	Business Taxes Specialist II	07/01/16	3.0	3.0	3.0
Settlements	Staff Services Analyst (General)	07/01/16	2.0	2.0	2.0
Settlements	Tax Counsel III (Spec)	07/01/16	1.0	1.0	1.0
Total Positions by Fiscal Year			12.0	12.0	12.0

Projected Outcomes

Includes 22.0 positions converted to permanent and 12.0 new permanent positions

	FY 15/16	FY 16/17	FY 17/18	FY 18/19	FY 19/20
Beginning Inventory	2,774	3,537	3,897	4,257	4,617
Incoming Cases	2,514	2,514	2,514	2,514	2,514
Completed Cases	1,751	2,154	2,154	2,154	2,154
Fiscal Year Ending Inventory	3,537	3,897	4,257	4,617	4,977

Pros:

- Addresses increased workload in the Appeals and Settlement Programs by completing an estimated 2,154 cases annually in FYs 2016-17 and ongoing.
- Promotes faster resolution of tax disputes, accelerates revenue to a collectible state, and promotes voluntary compliance with the tax laws.
- A taxpayer need not pay any portion of the tax liability in order to file a Petition for Redetermination; therefore, taxes cannot be collected on a disputed liability until the

Analysis of Problem

appeals process is completed. This proposal accelerates the resolution of cases valued at approximately \$113,180,000 annually in 2016-17 and ongoing for the additional cases completed by the 34 positions being requested.

- Limits the backlog of cases to fewer than 5,000 by FY 2019-20.

Cons:

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

Alternative 3 - Provide funding for 34.0 Limited Term positions to address Appeals and Settlement Program revenues.

Under this alternative, 34.0 limited term positions are being requested to address the increased demand for the Appeals and Settlement Programs.

Unit	Extended Limited Term Positions	Start Date	FY 2016-17	FY 2017-18
Board Proceedings	Associate Governmental Program Analyst	07/01/16	1.0	1.0
Appeals	Tax Counsel IV	07/01/16	1.0	1.0
Appeals	Tax Counsel III (Supervisor)	07/01/16	1.0	1.0
Appeals	Tax Counsel III (Specialist)	07/01/16	2.0	2.0
Appeals	Business Taxes Specialist III	07/01/16	3.0	3.0
Appeals	Business Taxes Specialist II	07/01/16	4.0	4.0
Appeals	Tax Technician III	07/01/16	1.0	1.0
Settlements	Tax Counsel III (Spec)	07/01/16	2.0	2.0
Settlements	Business Taxes Specialist III	07/01/16	1.0	1.0
Settlements	Business Taxes Specialist II	07/01/16	6.0	6.0
Total Positions by Fiscal Year			22.0	22.0
Unit	New Limited Term Positions	Start Date	FY 2016-17	FY 2017-18
Appeals	Tax Counsel III (Spec)	07/01/16	1.0	1.0
Appeals	Business Taxes Specialist III	07/01/16	2.0	2.0
Appeals	Legal Secretary	07/01/16	1.0	1.0
Settlements	Business Taxes Specialist III	07/01/16	2.0	2.0
Settlements	Business Taxes Specialist II	07/01/16	3.0	3.0
Settlements	Staff Services Analyst (General)	07/01/16	2.0	2.0
Settlements	Tax Counsel III (Spec)	07/01/16	1.0	1.0
Total Positions by Fiscal Year			12.0	12.0

Analysis of Problem

Projected Outcomes

Includes 34.0 2-year LT Posiitons					
	FY 15/16	FY 16/17	FY 17/18	FY 18/19	FY 19/20
Beginning Inventory	2,774	3,537	3,897	4,257	5,872
Incoming Cases	2,514	2,514	2,514	2,514	2,514
Completed Cases	1,751	2,154	2,154	899	899
Fiscal Year Ending Inventory	3,537	3,897	4,257	5,872	7,487

Pros:

- Addresses increased taxpayer demand for the Appeals and Settlement Programs for two additional years by completing an estimated 2,154 cases in FYs 2016-17 and 2017-18, dropping to 899 cases annually thereafter.
- Promotes faster resolution of tax disputes, accelerates revenue to a collectible state, and promotes voluntary compliance with the tax laws for two additional fiscal years.
- A taxpayer need not pay any portion of the tax liability in order to file a Petition for Redetermination; therefore taxes cannot be collected on the disputed liability until the appeals process is complete. This proposal accelerates resolution of cases valued at an estimated \$113,180,000 in 2016-17 and 2017-18 and \$0 annually thereafter for the additional cases being completed by the 34.0 positons being requested.

Cons:

- Requires a budget augmentation.
- Would result in a backlog of approximately 7,500 cases by FY 2019-20 for the Appeals and Settlements Programs.
- Would negatively impact voluntary tax compliance and taxpayer education on correct reporting of tax after FY 2017-18.

Alternative 4 - Do not provide additional funding or positions for the Appeals and Settlements Programs.

Under this alternative, no funds would be allocated to maintain or augment the level of staffing in the Appeals and Settlements Programs. The BOE is not able to absorb the increased workload in these areas with current resources.

Projected Outcomes

Includes no new or continued positions					
	FY 15/16	FY 16/17	FY 17/18	FY 18/19	FY 19/20
Beginning Inventory	2,774	3,537	5,152	6,767	8,382
Incoming Cases	2,514	2,514	2,514	2,514	2,514
Completed Cases	1,751	899	899	899	899
Fiscal Year Ending Inventory	3,537	5,152	6,767	8,382	9,997

Analysis of Problem

Pros:

- Does not require a budget augmentation.

Cons:

- Foregoes completion of an additional 1,255 cases in FY 2016-17 and ongoing that would be completed by the 34.0 positions requested.
- Foregoes acceleration of resolution of cases valued up to approximately \$113,180,000 in revenue in FY 2016-17 and ongoing that would be completed by the 34.0 positions being requested in the proposal.
- Would negatively impact voluntary compliance and taxpayer education on correct reporting of tax.
- Significant delays in the process for taxpayers seeking an appeal or settlement option.
- Results in a backlog of nearly 10,000 cases in the Appeals and Settlements Programs by FY 2019-20.

G. Implementation Plan

The Appeals and Settlements Programs currently have 22.0 positions set to expire on June 30, 2016.

FY 2016-17	
Convert Expiring Limited Term positions to Permanent	July 2016
Hire 12.0 new Limited Term staff	July 2016
Train new staff	July – December 2016
Work Appeals and Settlements Cases	July 2016 & Ongoing
FY 2016-17 & 2017-18	
Evaluate incoming workload levels for possible continuation of new Limited Term positions & prepare FY 2018-19 BCP if necessary	April - September 2017

H. Supplemental Information

I. Recommendation

Alternative 1 is recommended.

Analysis of Problem

Workload Justification – Exhibit I

LEGAL DEPARTMENT

The Legal Department provides enforcement, collection, and legal support to all of the tax programs administered by the BOE. Each program within the Legal Department has a specific role in its support of these tax programs. This proposal requests 22.0 permanent PYs and 12 limited term PYs for the Appeals and Settlement Programs.

Settlement and Taxpayer Services Division

The Settlement and Taxpayer Services Division administers the BOE's Administrative Settlement Program. Settlement staff evaluates proposals, reviews audit 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.

9.0 Business Taxes Specialist II (Settlement Officer)-Settlement

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 Sales and Use Tax Department (Department) audit work papers case files and related documentation; negotiates settlements; holds settlement conferences; and prepares Attorney General memorandums and Executive Management memorandums necessary 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.

Workload Detail				
Classification: Settlement Officer (BTS II)	Time Measure		On-going Activities	
Activity	M=Minutes H = Hours	Time Per Occurrence	Occurrences Per Year	Total Hours
Evaluate settlement proposals, review audit case files, negotiate settlements and prepare Executive Management, Board, and Attorney General documents Sales & Use Tax Cases - 95%	H	27	525	14,175
Evaluate Settlement proposals review audit case files, negotiate settlements and prepare Executive Management, Board, and Attorney General documents Special Tax & Fee Cases - 5%	H	27	28	756
Assist Legal and Audit Staff	H	1.8	720	1,296
Attend meetings	H	1.0	75	75
Total Settlement Officer (BTS II) Hours				16,302
Total Settlement Officer (BTS II) Positions Requested (1,800 Hours/Position)				9.0

3.0 Business Taxes Specialist III (Senior Settlement Officer) - Settlement

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

Analysis of Problem

acts as the section's lead auditor, technical expert, and reviewer; evaluates settlement proposals for the most difficult cases; reviews Department audit work papers and related documentation; negotiates settlements; holds settlement conferences; and reviews and prepares Attorney General memorandums and Executive Management memorandums necessary 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:

Workload Detail					
Classification: Settlement Officer (BTS III)		Time Measure		On-going Activities	
Activity	M=Minutes	Time Per Occurrence	Occurrences Per Year	Total Hours	
	H = Hours				
Coordinate assignments and review audit work of Settlement staff	H	3.2	795	2544	
Evaluate Settlement proposals review audit case files, negotiate settlements and prepare Executive Management, Board, and Attorney General documents Sales and Use Tax Cases - 95%	H	27	87	2349	
Evaluate Settlement proposals review audit case files, negotiate settlements and prepare Executive Management, Board, and Attorney General documents Special Tax & Fee Cases - 5%	H	27	3	81	
Assist Legal and Audit Staff	H	1.8	300	540	
Total Settlement Officer (BTS II) Hours				5,514	
Total Settlement Officer (BTS II) Positions Requested (1,800 Hours/Position)				3.0	

4.0 Tax Counsel III (Settlement Officer) - Settlement

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.

Workload Detail					
Classification: Settlement Officer (TC III)		Time Measure		On-going Activities	
Activity	M=Minutes	Time Per Occurrence	Occurrences Per Year	Total Hours	
	H = Hours				
Evaluate settlement proposals, review audit 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	

Analysis of Problem

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)				3

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

Each BTS II and TC III is estimated to complete 60 settlement cases per year, with an estimated breakdown of 95% Sales and Use Tax cases and 5% Special Tax and Fees cases. The category ratios are 90% (both Sales and Use and Special Tax and Fees cases), 8%, and 2%.

2.0 Staff Services Analyst - Settlement

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, handles telephone inquiries and responds to written inquiries utilizing a thorough knowledge of the 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.

Workload Detail				
Classification: Staff Services Analyst (SSA)	Time Measure		On-going Activities	
Activity	M=Minutes H = Hours	Time Per Occurrence	Occurrences Per Year	Total Hours
Review proposals for eligibility; preparation of case packages, acknowledgement letters to tax and fee payers	H	.75	720	540
Prepare monthly payment plan spreadsheet; issue-spot problems; propose potential solutions; contact taxpayer	H	2.0	1032	2064
Analyze defaults; cases with credit issues/ coordinate with escrow companies and District Offices to effect lien releases	H	.5	480	240
Prepare draft Settlement Agreement revisions addressing payment issues	H	1	756	756
Total Staff Services Analyst (SSA) Hours				3,600
Total Staff Services Analyst (SSA) Positions Requested (1,800 Hours/Position)				2.0

Analysis of Problem

Appeals Division

The Appeals Division administers the Business Taxes Appeals Program (Appeals Program). The Appeals Program’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, and special tax and fee programs (hereafter “tax”). The Attorneys and Auditors performing this work are called “conference holders.” Conference holders conduct appeals conferences and issue decisions and recommendations to provide advice and guidance to the elected members of the Board. Conference holders are charged with responsibility for rendering an independent, impartial, and legally sound decision that fairly addresses the facts and law presented in a case. The acceleration of Business Taxes Appeals cases supports and reinforces voluntary tax compliance by educating and informing taxpayers as to their correct tax liabilities and correct reporting, and limits the amount of interest accrued during the appeals process.

1.0 Tax Technician III – Appeals

The Tax Technician III (TT III) performs a variety of difficult and complex technical duties in support of the Appeals Program. 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.

Workload Detail				
Classification: Tax Technician III	Time Measure		On-going Activities	
Activity	M=Minutes H = Hours	Time Per Occurrence	Occurrences Per Year	Total Hours
Education, attend meetings, training 2.2%	H	8	5	40
Accurately monitors, verifies, and maintains taxpayer/representative information in IRIS. Review and clerical duties 97.8%	H	6.9	255	1,760
Total Tax Technician III Hours				1,800
Total Tax Technician III Positions Requested (1800 Hours/Positions)				1.0

1.0 Legal Secretary – Appeals

The Legal Secretary in the Appeals Program provides 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 Program 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.

Analysis of Problem

Workload Details				
Classification: Legal Secretary Appeals Program	Time Measure		On-going Activities	
Activity	M = Minutes H = Hours	Time Per Occurrence	Occurrences Per Year	Total Hours
Education, attend meetings, training 2.2%	H	8	5	40
Accurately monitors, verifies, and maintains taxpayer/representative information in IRIS. Reviews, edits, and finalizes all decisions, correspondence, memorandum, and other documents related to case files. Indexes and mails all documents. Coordinates file progress through the decision and reconsideration process 97.8%	H	6.9	255	1,760
Total Legal Secretary Hours				1,800
Total Legal Secretary Positions Requested (1800 Hours/Positions)				1.0

3.0 Tax Counsel III (Specialist) – Appeals

The Appeals Program Tax Counsel III (Specialist) (TC III Specialist) is dedicated to the task of conducting appeals conferences and issuing decisions and recommendations to provide advice and guidance to the elected members of the Board. A TC III Specialist is able to organize and draft complex legal decisions and is also 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 taxes appeals prior to final determination by the Board.

The table below provides the estimated workload for this position.

Workload Detail				
Classification: Tax Counsel III (Specialist)	Time Measure		On-going Activities	
Activity	M = Minutes H = Hours	Time Per Occurrence	Occurrences Per Year	Total Hours
Education, attend meetings, training 3.3%	H	60	3	180
Review and evaluate Appeals case files for legal issues and related documentation, prepare conference questions, travel, and conduct appeals conferences. Post-conference information gathering and preparing necessary documentation. Research and write Decision and Recommendation. Consider taxpayer's request for reconsideration, evaluate documentation for reconsideration, and submit for re-audit when necessary, follow-up with Department for considerations. Research and write Supplemental Decision and Recommendation. Review and edit pre/	H	55.5	96	5,328

Analysis of Problem

post Board hearing materials - 96.7%.				
Total Tax Counsel III (TC III) Hours				5,508
Total Tax Counsel III (TC III) Positions Requested (1800 Hours/Positions)				3.0

1.0 Tax Counsel III (Supervisor) – Appeals

The Tax Counsel III (Supervisor) (TC III Supervisor) performs the following duties:

- The TC III Supervisor supervises a staff of attorneys, auditors, and clerical staff. The staff is assigned to conduct conferences and prepare decisions and recommendations 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 acts as a lead to TC's and TC III Specialists and reviews decisions and recommendations.
- The TC III Supervisor also assists the Assistant Chief Counsel by performing various other related duties as required.

The table below provides the estimated workload for this position.

Workload Detail					
Classification: Tax Counsel III (Supervisor)		Time Measure		On-going Activities	
Activity	M=Minutes	Time Per	Occurrences	Total Hours	
	H = Hours	Occurrence	Per Year		
Education, attend meetings, training - 3.3%	H	60	1	60	
Assist the Assistant Chief Counsel. Supervise staff, including managing caseload of attorneys. Act as a reviewer. Mentor staff, including assisting with preparation of conferences and decisions. Present complex cases before the Board. Provide legal advice both before and after the Board hearing - 96.7%	H	55.5	32	1,776	
Total Tax Counsel III (Supervisor) Hours				1,836	
Total Tax Counsel III (Supervisor) Positions Requested (1,800 Hours/Position)				1.0	

1.0 Tax Counsel IV – Appeals

The Tax Counsel IV (TC IV) performs the following duties:

- The TC IV represents the Appeals Program in presenting the most complex legal cases at hearings before the Board members.
- The TC IV processes the most complex business taxes matters and most difficult business taxes appeals including, but not limited to, those involving the Interstate Commerce Clause, Nexus, and Internet sales of tangible personal property to California residents.

Analysis of Problem

- The TC IV acts as a lead attorney for Tax Counsels and Tax Counsel III Specialists in their representation of the Appeals Program in business taxes appeals, including offering substantive, procedural, and tactical direction and advice.
- The TC IV advises TC's and TC III Specialists on the more difficult or complex legal or factual issues that are presented in the business taxes appeals that have been assigned to them.
- The TC IV reviews the decisions and recommendations that the Appeals Program issues. In that capacity, the Tax Counsel IV performs a quality-control function to ensure that the decisions and recommendations are legally and factually correct and represent the legal opinion of the Appeals Program.

The purpose of this request is to address increased Appeals Program workload.

The table below provides the estimated workload for this position.

Workload Detail				
Classification: Tax Counsel IV (TC IV)	Time Measure		On-going Activities	
Activity	M=Minutes H = Hours	Time Per Occurrence	Occurrences Per Year	Total Hours
Education, attend meetings, training - 3.3%	H	60	1	60
Assist the Assistant Chief Counsel. Act as lead over staff, including managing caseload of attorneys. Act as a reviewer. Mentor staff, including assisting with preparation of conferences and decisions. Handle the most complex cases. Present most complex cases before the Board. Provide legal advice both before and after the Board hearing - 96.7%	H	55.5	32	1,776
Total Tax Counsel IV (TC IV) Hours				1,836
Total Tax Counsel IV (TC IV) Positions Requested (1,800 Hours/Position)				1.0

4.0 Business Taxes Specialist (BTS) II – Appeals

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

The purpose of this request is to address increased Appeals Program workload.

Analysis of Problem

The table below provides the estimated workload for this position.

Workload Detail				
Classification: Business Taxes Specialist II (BTS II)	Time Measure		On-going Activities	
Activity	M=Minutes H = Hours	Time Per Occurrence	Occurrences Per Year	Total Hours
Education, attend meetings, training 3.3%	H	60	4	240
Review and evaluate Appeals case files for legal issues and related documentation, prepare conference questions, travel, and conduct appeals conferences. Post-conference information gathering and preparing necessary documentation. Research and write Decision and Recommendation. Consider taxpayer's request for reconsideration, evaluate documentation for reconsideration, and submit for re-audit when necessary, follow-up with Department for considerations. Research and write Supplemental Decision and Recommendation. Review and edit pre/post Board hearing materials - 96.7%.	H	55.5	128	7,104
Total Business Taxes Specialist II (BTS II) Hours				7,344
Total Business Taxes Specialist II (BTS II) Positions Requested (1,800 Hours/Position)				4.0

5.0 Business Tax Specialist III – Appeals

The Appeals Program Business Taxes Specialist III (BTS III) performs the following:

- The BTS III represents the Appeals Program 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 Program in business taxes appeals, including offering substantive, procedural, and tactical direction and advice regarding their appeals conferences and their decisions and recommendations. The BTS III also advises Tax Counsels, Tax Counsel III Specialists, and Tax Counsel IV's regarding audit issues that are involved in the decisions and recommendations they prepare.
- The BTS III reviews the decisions and recommendations that are issued by the BTS, which involve primarily disputes regarding audit issues. In that capacity, the BTS 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 Program'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.

Analysis of Problem

The table below provides the estimated workload for this position.

Workload Detail				
Classification: Business Taxes Specialist III (BTS III)	Time Measure		On-going Activities	
Activity	M = Minutes H = Hours	Time Per Occurrence	Occurrences Per Year	Total Hours
Education, attend meetings, training, and translation – 3.3%	H	60	5	300
Review and evaluate Appeals case files for audit issues, prepare conference questions, travel and conduct conference. Prepare summaries for Board hearings, assist legal audit staff, and attend meetings. Research and write Decision and Recommendation. Consider taxpayer's request for reconsideration, evaluate documentation for reconsideration, and submit for re-audit when necessary, follow-up with Department for considerations. Research and write Supplemental Decision and Recommendation. Review and edit pre/post Board hearing materials. Review and act as a lead to other audit staff - 96.7%.	H	55.5	160	8,880
Total Business Taxes Specialist III (BTS III) Hours				9,180
Total Business Taxes Specialist III (BTS III) Positions Requested (1800/5 Hours/Positions)				5.0

Note: A business taxes conference holder in the Appeals Program completes approximately 32 appeals cases per year. Completing a business taxes appeals case not only includes holding an appeals conference and issuing a Decision and Recommendation on the case but also includes handling additional work on the case if the case returns to the Appeals Program after issuance of the Decision and Recommendation. Such additional work on a case returning to the Appeals Program may include, but is not limited to, reviewing requests for reconsideration, reviewing audits, gathering and reviewing additional evidence, conducting additional legal research, issuing Supplemental Decisions and Recommendations, and completing pre-Board hearing and/or post-Board hearing work.

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 taxes 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 Southern California Appeals and Settlements (SCAS) are funded, the workload of the TFCM section of BPD will increase as detailed below.

Analysis of Problem

1.0 Associate Governmental Program Analyst

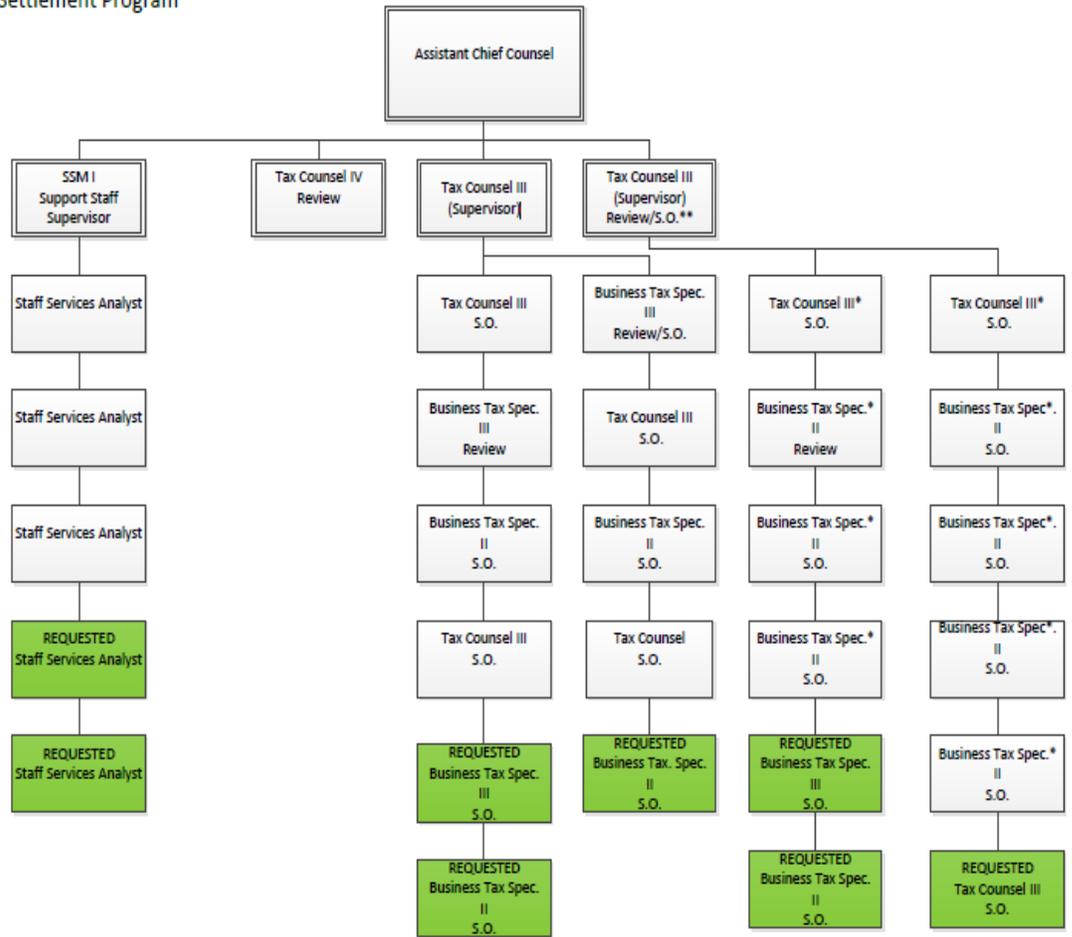
The table below provides the estimated workload for this position.

Workload Detail				
Classification: Associate Governmental Program Analyst	Time Measure		On-going Activities	
Activity	M=Minutes H = Hours	Time Per Occurrence	Occurrences Per Year	Total Hours
Reports, studies, issue papers, proposals, statistical data	H	40	32	1635
Attend meetings	H	2	30	60
Develop and maintain tracking systems (tax loss/collection)	H	35	5	175
Total Assoc. Govt. Program Analyst Hours				1,870
Total Assoc. Govt. Program Analyst Positions Requested (1,800 Hours/Position)				1.0

DRAFT

Analysis of Problem

Settlement Program



*BCP Position
 **Settlement Officer



Analysis of Problem

DF-46 (REV 05/11)						
Fiscal Summary (Dollars in thousands)						
BCP No.	Proposal Title	Program				
	SoCal Appeals and Settlement Perm Status					
Personal Services	Positions			Dollars		
	CY	BY	BY + 1	CY	BY	BY + 1
Total Salaries and Wages ¹	0.0	34.0	34.0		\$2,926	\$2,926
Total Staff Benefits ²					\$1,330	\$1,330
Distributed Administration					\$416	\$401
Total Personal Services	0.0	34.0	34.0		\$4,672	\$4,657
Operating Expenses and Equipment						
General Expense					\$213	\$100
Distributed Administration					\$104	\$100
Printing					\$1	\$1
Communications					\$48	\$39
Postage						
Travel-In State					\$66	\$66
Travel-Out of State						
Training					\$37	\$37
Facilities Operations					\$441	\$391
Utilities					\$6	\$6
Consulting & Professional Services: Interdepartmental ³						
Consulting & Professional Services: External ³						
Data Center Services					\$85	\$85
Information Technology					\$44	\$28
Equipment ³						
Other/Special Items of Expense: ⁴						
Total Operating Expenses and Equipment					\$1,045	\$853
Total State Operations Expenditures					\$5,717	\$5,510
Fund Source	Item Number					
	Org	Ref	Fund			
General Fund	0860	001	0001		\$3,625	\$3,494
Special Funds ⁵					\$73	\$70
Federal Funds						
Other Funds (Specify)						
Reimbursements	0860	501	0995		\$2,019	\$1,946
Total Local Assistance Expenditures						
Fund Source	Item Number					
	Org	Ref	Fund			
General Fund						
Special Funds ⁵						
Federal Funds						
Other Funds (Specify)						
Reimbursements						
Grand Total, State Operations and Local Assistance					\$5,717	\$5,510

¹ Itemize positions by classification on the Personal Services Detail worksheet.

² Provide benefit detail on the Personal Services Detail worksheet.

³ Provide list on the Supplemental Information worksheet.

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

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

