

**Motor Vehicle Fuel Audit Staff Augmentation  
BCP No. 11**

Purpose:

BOE requests new funding for permanent audit positions needed to capitalize on the new revenue-producing workload identified by the Fuel Tax Division's new automated reporting system. Additional audit staff is needed to ensure that major motor vehicle fuel tax audits are completed timely. The additional staff will generate an estimated \$19 million in increased annual revenue. The estimated average benefit-to-cost ratio is 23 to 1.

|               |  |  |
|---------------|--|--|
| Expenditures: | <u>FY 2006-07</u><br><b>\$918,000 (New)</b><br>(Motor Vehicle Fuel Acct) | <u>FY 2007-08</u><br><b>\$840,000 (New)</b><br>(Motor Vehicle Fuel Acct) |
| Positions:    | <b>7.0 (New)</b><br>(7.0 PYs)  | <b>7.0 (New)</b><br>(7.0 PYs)  |

Background:

- During Fiscal Years 2000-01 through 2004-05 staff completed 81 audits, expending 25,224 audit hours and producing \$52,442,442 in tax change, for an average of \$2,079 tax change per hour.
- Fuel taxes are targets for evasion and criminal activity both nationally and within the state. Adequate audit coverage is essential to deter, identify and eliminate fuel tax evasion.
- With the passage of AB 2114 (Chapter 1053, Statutes of 2000), the BOE developed the Automated Schedule Processing (ASP) System to capture and analyze motor fuel tax data and new, revenue-producing workload is being generated.
- Current staffing is not sufficient to make meaningful use of the data analysis ability of the ASP system.

Justification:

- Estimated revenue for this proposal is \$19 million annually.
- Estimated benefit-to-cost ratio of this proposal is 23 to 1.
- BOE will be able to audit the largest fuels taxpayers on a timely and regular basis.
- BOE can fully implement the changes required by, and utilize the tools provided by AB 2114
- Resulting underreporting of taxable fuel gallons will result in understatement in gallons reported to Federal Highway Administration, resulting in reduced attribution of fuel consumption to California, which reduces California's share of Federal Highway Trust funds.
- Preserves and protects the \$3.5 billion annual fuel tax revenue base.
- Ensures a more level playing field for all taxpayers.

**STATE BOARD OF EQUALIZATION  
FISCAL YEAR 2007-08  
BCP No. 11**

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**TITLE OF PROPOSED CHANGE:**

**MOTOR VEHICLE FUEL AUDIT STAFF AUGMENTATION**

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**SUMMARY OF PROPOSED CHANGES:**

This proposal requests new funding of \$918,000 in FY 2007-08 and \$840,000 in FY 2008-09 and ongoing to fund 7 new permanent positions to provide essential audit staff to better ensure tax compliance within the BOE's transportation taxes programs. The additional staff will give the BOE the audit resources needed to capitalize on a significant revenue-producing workload generated by a new automated reporting system. This proposal provides staff necessary to adequately protect transportation tax funds and to reduce tax evasion and criminal activity.

It is anticipated that the additional positions will increase revenues by an estimated \$19 million each fiscal year. The estimated benefit-to-cost ratio is 23 to 1.

**State Board of Equalization  
Transportation Tax Fund Program  
Motor Vehicle Fuel Audit Staff Augmentation  
Fiscal Year 2007-08**

**A. Nature of Request**

This proposal requests \$918,000 for FY 2007-08 and \$840,000 for ongoing years to fund a permanent staffing augmentation of seven (7) audit positions. The additional positions are necessary to provide essential audit staff to better ensure tax compliance within the Board of Equalization's (BOE) transportation taxes programs: the Motor Vehicle Fuel Tax (MVF) program, the Diesel Fuel Tax program, and the Jet Fuel Tax program. The annual increase in revenues associated with these positions is estimated at \$19 million. This proposal estimates an ongoing benefit-to-cost ratio of approximately 23 to 1.

Approving this proposal will give the BOE the audit resources needed to capitalize on new revenue-producing workload generated by a recently established automated reporting system. The system captures detail reporting of daily transactions involving the movement of various types of fuel. The system runs edits to determine accuracy of the data. The system further allows staff to compare the reporting of transactions by all parties, and identify when transactions have been erroneously reported or omitted. The system is a powerful tool for supporting the audit staff, providing the ability to capture and sort relevant data from the taxpayer's filings, and as a source of audit leads generated from the discrepancies and omissions disclosed by the editing and comparison of data.

Approval of the proposal will also protect the current \$3.5 billion annual tax base that supports the state's road, highway and transit systems. Transportation tax programs have a history of tax evasion and criminal activity. Accordingly, a strong, well defined audit program is required to insure that significant revenues are not lost. Currently, the BOE does not have the audit staff required to adequately protect the transportation taxes annual tax base.

**B. Background/History**

In the early 1990's, Federal and state tax agencies began to consider alternative methods of collecting motor vehicle fuel taxes. These taxes are commonly referred to as transportation taxes. It was apparent that evasion was rampant and increasing over time. Federal and state government began making changes in tax laws and methods of enforcement to help identify evasion and other reporting discrepancies.

The first steps taken affected the application of the Diesel Fuel Tax. The incidence of the tax was moved from the consumer to the fuel wholesaler. This change was made at both the federal and state levels. Subsequently, the tax was shifted from the wholesaler to the terminal rack<sup>1</sup>. California made the change effective July 1, 1995. By applying the tax at a point closer to the first sale of the fuel, there was less chance for evasion and reporting discrepancies. These moves alone resulted in an annual revenue increase of over \$55 million per year for California.

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<sup>1</sup> A terminal rack is the delivery device at a terminal where fuel is sold from bulk tanks and delivered to trucks taking the fuel to retail locations.

**B. Background/History (Continued)**

The Internal Revenue Service (IRS) and many states also moved the incidence of the motor vehicle fuel tax to the terminal rack in 1995. California did not. Nevertheless, during the next five years, California worked with the IRS and the other stakeholders, including industry, to develop a sophisticated reporting and analysis system. This system was being designed to implement the additional controls provided by moving the incidence of the tax to the rack. California participated because the incidence of its diesel fuel tax was at the rack.

As the stakeholders developed the system, industry became interested in having California also move the point of taxation on motor vehicle fuel to the rack. Uniformity resulted from a common method of reporting taxes on fuels and everyone could then take advantage of the strong controls being developed. This change was accomplished by an industry sponsored bill, AB 2114, effective July 1, 2002 (Chapter 1053, Statutes of 2000).

The change brought California's point of taxation in line with the federal point of taxation. It provided California and the Federal Government with similar systems that could interact. It better identified evasion and other reporting discrepancies. It also helped to provide taxpayers with a level playing field and a uniform method of reporting, while keeping their costs to a minimum.

To implement the changes required by the movement of the motor vehicle fuel tax to the rack, the BOE submitted Fiscal Year 2001-02 BCP #12 (AB 2114 – Motor Vehicle Fuel Tax Law). This BCP provided the Fuel Taxes Division (FTD) of the BOE with limited-term positions to implement the new reporting system. Implementation of the new program proved to be very complex. It involved developing new online reporting systems and a very intricate set of computer analysis tools. Staff uses these tools to verify returns and identify reporting discrepancies.

The resources obtained by the FY 2001-02 BCP were limited-term through June 30, 2004. The BOE deferred requesting an extension of the positions until the new automated reporting system could be fully implemented and understood by staff and industry. The new system is now in place and new, revenue-producing workload is being generated. An augmentation of resources is needed to adequately capitalize on the intent of AB 2114 and to protect the tax base which supports the state's road, highway and transit systems.

In their management of the audit program, the FTD separates motor fuel taxes audits into two main categories: (1) "Major audits" performed on the 28 accounts assigned to the 10 largest multi-national petroleum companies, and (2) "Routine" audits performed each year from among the remaining 450 smaller fuel tax accounts. Sufficient auditing resources are not currently available to complete all of the required major audits in a timely manner. Furthermore, only a few of the routine audits of the smaller accounts are being performed. During the past five years an average of eight audits per year were completed of the 450 smaller fuel tax accounts. A permanent audit staffing augmentation is necessary to maintain a prudent level of auditing to ensure tax compliance.

**C. State Level Consideration**

The motor fuel taxes are collected for the California Department of Transportation (CALTRANS). CALTRANS uses the funding to maintain and develop the state's highway system. Providing the staff necessary to ensure tax compliance will maintain and improve funding for the state highway system.

**C. State Level Consideration (Continued)**

This request also provides the FTD with adequate staff to continue to interface with the IRS and other states. The IRS and other states rely on California as a producer state to provide them with data and analysis useful in their compliance programs. Assisting other stakeholders also benefits CALTRANS. California receives approximately 10% of all revenues received by the IRS as part of the Federal Transportation Bill.

This proposal is consistent with the BOE's Strategic Plan. It meets the BOE goals to (i) interpret and apply tax and fee laws correctly, consistently, and fairly; (ii) collect and allocate revenues as required by law; and (iii) educate and assist tax and fee payers to comply voluntarily, while minimizing their compliance burden. It also meets the BOE's objective to identify and analyze areas of non-compliance and develop approaches to problem areas.

Issue 2 – Modernizing Tax Compliance Practices, Strategy 3 – Identify and analyze areas of noncompliance and develop approaches to address targeted problem areas while maintaining customer service awareness.

This proposal will allow the BOE to complete its transportation taxes audits in a timely and efficient manner. It also utilizes the technological advantages of the new automated systems and provides quality services to taxpayers.

**D. Justification/Analysis of All Feasible Alternatives**

Two alternatives are proposed for the BOE's Motor Vehicle Fuel Audit Staff Augmentation. The recommended alternative (Alternative #1) proposes augmenting staff with 7 permanent audit positions. The estimated annual increase in revenues from this alternative is \$19 million. The ongoing estimated benefit-to-cost ratio is 23 to 1.

Approval of the requested resources will allow the BOE to properly administer its motor fuel taxes programs. The recommended alternative will provide adequate staffing to better ensure optimal taxpayer reporting compliance. Without adequate staff, reporting errors and evasion of fuel taxes will result in significant losses of revenue running into the tens of millions of dollars.

**Alternative 1 – Augment Audit Staff with 7 permanent audit positions and related resources**

Augment the BOE's motor vehicle fuel taxes programs by authorizing 7 permanent audit positions at \$918,000 for FY 2007-08 and \$840,000 for ongoing years. The positions are anticipated to recover approximately \$19 million annually. This results in an estimated 23 to 1 benefit-to-cost ratio. The request for the 7 audit positions specifically includes:

- 3 Business Taxes Specialist I (BTS)
- 4 Associate Tax Auditor (ATA)

The 7 positions will perform the most difficult, complex audits of the largest transportation taxes registrants. The positions provide the resources necessary to assist in the timely completion of major audits and to conduct audits of 4% of the eligible routine accounts each year. They will also perform audit review duties and perform other special projects related to and in support of the field auditing function. Exhibit #1 provides detailed support for the positions.

**D. Justification/Analysis of All Feasible Alternatives (Continued)**

**Alternative 1 – Augment Audit Staff with 7 permanent audit positions and related resources (Continued)**

**Pros:**

- Potential tax revenue increase of \$19 million annually with a benefit-to-cost ratio of 23 to 1.
- BOE can fully implement the changes required by AB 2114.
- BOE can audit the largest taxpayers on a timely and regular basis.
- BOE can quickly identify and take action against tax evaders.
- BOE can timely instruct compliant taxpayers on reporting errors.
- BOE can work with other stakeholders to identify and prevent fraud.
- BOE can identify tax evasion and increase California's share of federal revenue.
- Ensures a more level playing field for all taxpayers.
- Preserves and protects the \$3.5 billion annual fuel tax revenue base.

**Cons:**

- Increases ongoing program cost by \$918,000 in FY 2007-08 and \$840,000 ongoing.

**Alternative 2 – Redirect Resources from other tax/fee programs.**

Redirect staff from one or more existing tax/fee programs to meet the staffing needs of the transportation taxes program. To do so, the BOE would need to identify less critical transportation taxes staff and staff currently working in programs that are funded by other special funds or the general fund. Additional transportation taxes funds would need to be authorized since one special fund may not be expended on other special fund programs.

**Pros:**

- Protects, to a lesser degree, the revenue base of the transportation taxes program.
- Provides resources for timely and efficient transportation taxes taxpayer service.
- Allows for assessment of additional revenue from motor vehicle fuel programs annually.
- Allows for educational outreach to local agencies and fee payers.
- Prevents position growth.

**Cons:**

- Corresponding loss of revenue/resources in other BOE-administered tax/fee programs.
- Redirected positions would leave other programs without needed resources.
- Relies heavily on voluntary compliance.

**E. Timetable**

Generally, audits are completed on a three year basis. The incidence of the Motor Vehicle Fuel Tax changed on July 1, 2002. The FTD would normally have begun auditing taxpayers on or before July 1, 2005. If this request is approved, the additional staff will be immediately assigned to complete the backlog of audits.

**July 1, 2007 – June 30, 2008**

Hire and train 7 staff  
Identify accounts for audit  
Conduct audits  
Review audits/analyze results

**July 1, 2008 – June 30, 2009**

Review audit selection  
Select additional accounts for audit  
Conduct audits  
Review audits/analyze results

**F. Recommendation**

Approval of Alternative #1 is recommended. This alternative authorizes funding for 7 permanent positions and related resources needed to adequately audit motor fuel taxpayers. Alternative #1 will allow the FTD to improve and maintain fuel tax compliance as anticipated by AB 2114. Increasing the FTD's ability to properly enforce the tax laws is essential in this time of fuel price volatility. Authorization of \$918,000 for FY 2007-08 and \$840,000 for ongoing years will generate approximately \$19 million in revenue annually. Detailed workload calculations are included in Exhibit I (attached).

**G. Fiscal Detail**

See attached "Fiscal Detail" schedules.

**WORKLOAD REQUIREMENTS**

Workload requirements for the proposed alternative are based on the following information.

Transportation taxes audits are divided into major and routine categories. All audits are considered to be complex. Major audits are considered to be extremely complex and difficult. Ten multi-national petroleum companies require major audits. These companies are registered as suppliers in the motor vehicle fuel, diesel fuel and the jet fuel programs. Because of the different tax programs, twenty supplier and 8 jet fuel accounts are considered major accounts. Accordingly, each of the 28 major accounts is audited every three years.

The number of taxable transactions processed by these few companies and the significant tax they remit each month make the consequence of error great. Even simple errors can result in significant reporting deficiencies in an audit period. Because of their complexity, all major audits are assigned at the Business Taxes Specialist I level. Multiple auditors at this level may be assigned to an audit.

The remaining registrants in these programs constitute the routine audit workload. However, given the complexity of the motor fuels industry, and the relative size of many of these companies, routine audits are considered complex and are assigned to Associate Tax Auditor level staff.

**Associate Tax Auditor (ATA)**

The Associate Tax Auditor performs the routine transportation taxes audits and assists Business Taxes Specialists in the completion of major audits. As shown in the table below, 7 ATA positions are required to adequately staff the workload. This requires an augmentation of 4.0 ATA positions. Staffing at this level will provide the resources to assist in the timely completion of major audits. It will also provide staff needed to conduct audits of 4% (18 audits) of the eligible routine accounts each year.

**Business Taxes Specialist I (BTS)**

Business Taxes Specialist I performs the most difficult, complex audits of the major transportation taxes accounts. The BTS also performs audit review duties and other special projects related to the field auditing function. The workload table below illustrates the overall need for 12 BTS positions which will require augmentation of 3 BTS positions.

## WORKLOAD REQUIREMENTS (cont)

STATE BOARD OF EQUALIZATION  
MOTOR VEHICLE FUEL AUDIT STAFF AUGMENTATION  
WORKLOAD ANALYSIS  
FISCAL YEAR 2007-2008

| Classification                  | # Audits Annually<br>(1) | Hours Per Item | Total Hours  | Total Positions<br>(2) | Positions Available<br>(3) | Positions Required | Positions Requested |
|---------------------------------|--------------------------|----------------|--------------|------------------------|----------------------------|--------------------|---------------------|
| Associate Tax Auditor           |                          |                |              |                        |                            |                    |                     |
| Routine Audits                  |                          |                |              |                        |                            |                    |                     |
| PS/DD (4)                       | 10                       | 300            | 3000         |                        |                            |                    |                     |
| MJ (5)                          | 8                        | 80             | 640          |                        |                            |                    |                     |
| Total Audits (6)                | 18                       |                |              |                        |                            |                    |                     |
| Assists on PS/DD Audits         | 7                        | 1100           | 7700         |                        |                            |                    |                     |
| <b>Resources Required</b>       |                          |                | <b>11340</b> | <b>7.09</b>            | <b>3.00</b>                | <b>4.09</b>        | <b>4.0</b>          |
| Business Taxes Specialist I     |                          |                |              |                        |                            |                    |                     |
| Major Audits                    |                          |                |              |                        |                            |                    |                     |
| PS/DD                           | 7                        | 2200           | 15400        |                        |                            |                    |                     |
| MJ                              | 3                        | 400            | 1200         |                        |                            |                    |                     |
| Total Audits                    | 10                       |                |              |                        |                            |                    |                     |
| <b>Resources Required</b>       |                          |                | <b>16600</b> | <b>10.38</b>           | <b>8.00</b>                | <b>2.38</b>        | <b>2.5</b>          |
| Business Taxes Specialist I     |                          |                |              |                        |                            |                    |                     |
| Special Projects                |                          |                | 500          |                        |                            |                    |                     |
| Review Routine Audits           | 18                       | 30             | 540          |                        |                            |                    |                     |
| Review Major Audits             | 10                       | 100            | 1000         |                        |                            |                    |                     |
| Total Audits Reviewed           | 28                       |                |              |                        |                            |                    |                     |
| <b>Resources Required</b>       |                          |                | <b>2040</b>  | <b>1.28</b>            | <b>0.75</b>                | <b>0.53</b>        | <b>0.5</b>          |
| <b>Total Positions Required</b> |                          |                |              | <b>18.75</b>           | <b>11.75</b>               | <b>7.0</b>         | <b>7.0</b>          |

- (1) One third of the major audits and 4% of the routine audits will be conducted annually.
- (2) Positions are calculated at 1,600 hours per year.
- (3) "Total positions" is the number of auditors currently available for field auditing.
- (4) PS and DD are the Motor Vehicle Fuel Tax and Diesel Fuel Tax program designators.
- (5) MJ is the Jet Fuel Tax designator.
- (6) Total audits does not include assists on major audits included in the BTS I workload

**STATE OF CALIFORNIA  
 BUDGET CHANGE PROPOSAL--FISCAL DETAIL  
 STATE OPERATIONS  
 FISCAL YEAR 2007-08  
 (Dollars in Thousands)**

**Title of Proposed Change:** MOTOR VEHICLE FUEL AUDIT STAFF AUGMENTATION

**Program/Element/Component:** 50 TRANSPORTATION FUND TAX PROGRAM

|   | PERSONNEL YEARS |     |        | CY | BY    | BY + 1 |
|---|-----------------|-----|--------|----|-------|--------|
|   | CY              | BY  | BY + 1 |    |       |        |
| <b>TOTAL SALARIES AND WAGES</b> <i>_a/</i>            |                 | 7.0 | 7.0    |    | \$426 | \$426  |
| Salary Savings  |                 | -4  | -4     |    | -21   | -21    |
| <b>NET TOTAL SALARIES AND WAGES</b>                   |                 | 6.6 | 6.6    |    | 405   | 405    |
| Staff Benefits <i>_a/</i>                             |                 |     |        |    | 143   | 143    |
| <b>NET TOTAL SALARIES AND WAGES</b>                   |                 | 6.6 | 6.6    |    | 548   | 548    |
| Distributed Administration <i>_b/</i>                 |                 |     |        |    | 67    | 61     |
| <b>TOTAL PERSONAL SERVICES</b>                        |                 | 6.6 | 6.6    |    | \$615 | \$609  |
| <b>OPERATING EXPENSE AND EQUIPMENT</b>                |                 |     |        |    |       |        |
| General Expense                                       |                 |     |        |    | \$77  | \$13   |
| Distributed Administration                            |                 |     |        |    | 17    | 15     |
| Printing  |                 |     |        |    |       |        |
| Communications  |                 |     |        |    | 6     | 5      |
| Postage   |                 |     |        |    |       |        |
| Travel--In-State                                      |                 |     |        |    | 77    | 77     |
| Travel--Out-of -State                                 |                 |     |        |    | 96    | 96     |
| Training  |                 |     |        |    | 5     | 5      |
| Facilities Operations                                 |                 |     |        |    | 20    | 20     |
| Consulting & Professional Services: Interdepartmental |                 |     |        |    |       |        |
| Consulting & Professional Services: External          |                 |     |        |    |       |        |
| Stephen P. Teale Data Center                          |                 |     |        |    | 1     |        |
| Data Processing                                       |                 |     |        |    | 4     |        |
| Equipment   |                 |     |        |    |       |        |
| Other Items of Expense: (Specify Below)               |                 |     |        |    |       |        |

*\_a/* See page 11 of 12 for itemized staff benefits and classification detail.

*\_b/* Represents Distributed Administration costs resulting from this BCP. The Distributed Administration costs for existing BOE programs will reflect a corresponding decrease which will be addressed in the Planning Estimate process.

|  | CY | BY    | BY + 1 |
|--|----|-------|--------|
| <b>TOTAL OPERATING EXPENSE AND EQUIPMENT</b> |    | \$303 | \$231  |
| <b>TOTAL EXPENDITURES (State Operations)</b> |    | \$918 | \$840  |

**Source of Funds**

General Fund (0001)

Special Funds:

- Breast Cancer Fund (0004)
- State Emergency Telephone (0022)
- Propane Surcharge Fund (0051)
- Motor Vehicle Fuel Account, Transportation Tax Fund (0061)
- Occupational Lead Prevention Fund (0070)
- Childhood Lead Poisoning Prev. Fund (0080)
- Cig. and Tobacco Prod. Surtax Fund (0230)
- Oil Spill Prevention and Admin. Fund (0320)
- Integrated Waste Management (0387)
- Underground Storage Tank Fund (0439)
- Energy Resources Programs Account (0465)
- CA. Children and Families First Trust Fund (0623)
- Federal Trust Fund (0890)
- Timber Tax Fund (0965)
- Gas Consumption Surcharge Fund (3015)
- Water Rights Fund (3058)
- Elec. Waste Recovery and Recycling Acct. (3065)
- Cig. and Tobacco Prod. Compliance Fund (3067)

918                      840

Federal Funds

Other Funds

Reimbursements (0995)

|   |  |       |       |
|---|--|-------|-------|
| <b>Net Total Augmentation (Source of Funds)</b> |  | \$918 | \$840 |
|---|--|-------|-------|

**DETAIL OF STAFF BENEFITS  
AND PERSONAL SERVICES**

| Staff Benefits Detail:          | CY                     | BY               | BY + 1           |
|---------------------------------|------------------------|------------------|------------------|
|                                 | <i>(Whole Dollars)</i> |                  |                  |
| OASDI                           |                        | \$30,983         | \$30,983         |
| Health Insurance                |                        | 42,063           | 42,063           |
| Retirement                      |                        | 60,114           | 60,114           |
| Workers' Compensation           |                        | 7,695            | 7,695            |
| Industrial Disability Leave     |                        | 389              | 389              |
| Non-Industrial Disability Leave |                        | 510              | 510              |
| Unemployment Insurance          |                        | 352              | 352              |
| Other                           |                        | 1,061            | 1,061            |
| <b>TOTAL</b>                    |                        | <b>\$143,167</b> | <b>\$143,167</b> |

| Classification | Positions |    |        | Salary Range <sup>a</sup> | Amount |    |        |
|----------------|-----------|----|--------|---------------------------|--------|----|--------|
|                | CY        | BY | BY + 1 |                           | CY     | BY | BY + 1 |

Property and Special Taxes Department:

Fuel Taxes Division:

|                                 |     |     |          |           |           |
|---------------------------------|-----|-----|----------|-----------|-----------|
| Associate Tax Auditor_b/        | 4.0 | 4.0 | \$57,096 | \$228,384 | \$228,384 |
| Business Taxes Specialist II_c/ | 3.0 | 3.0 | 65,868   | 197,604   | 197,604   |

Blanket Funds:

Overtime (Various)  
Temporary Help

|                                 |  |            |            |  |                  |                  |
|---------------------------------|--|------------|------------|--|------------------|------------------|
| <b>TOTAL SALARIES AND WAGES</b> |  | <b>7.0</b> | <b>7.0</b> |  | <b>\$425,988</b> | <b>\$425,988</b> |
|---------------------------------|--|------------|------------|--|------------------|------------------|

\_a/ The salary is the mid-step of the salary range for the stated classification.  
 \_b/ 4.0 permanent full-time positions effective July 1, 2007.  
 \_c/ 3.0 permanent full-time positions effective July 1, 2007.

**SUPPLEMENTAL INFORMATION**  
 Dollars in Thousands

|  | Current<br>Year | Budget<br>Year | Budget<br>Year + One |
|--|-----------------|----------------|----------------------|
| <b>Proposed Equipment:</b>             |                 |                |                      |
| Laptops with Docking Stations          |                 | \$17           |                      |
| Laser Printer                          |                 | 2              |                      |
| <b>Total</b>                           |                 | \$19           |                      |
| <br><b>Proposed Contracts:</b>         |                 |                |                      |
| <b>Total</b>                           |                 |                |                      |
| <br><b>One-Time Costs:</b>             |                 |                |                      |
| General Expense                        |                 | \$20           |                      |
| Communications                         |                 | 6              |                      |
| Stephen P. Teale Data Center           |                 | 1              |                      |
| Data Processing                        |                 | 4              |                      |
| <b>Total</b>                           |                 | \$31           |                      |
| <br><b>Future Savings:</b>             |                 |                |                      |
| N/A                                    |                 |                |                      |
| <b>Total</b>                           |                 |                |                      |
| <br><b>Full-Year Cost Adjustments:</b> |                 |                |                      |
| N/A                                    |                 |                |                      |
| <b>Total</b>                           |                 |                |                      |