

Memorandum

To : Mr. Ramon J. Hirsig
Executive Director

Date : October 15, 2004

From : 
Raye Zentner, Deputy Director
Administration Department

Subject : **Administrative Agenda Status Reports**

Your approval is requested to place three status report items on the Administrative Agenda for the November 4, 2004 Board Meeting. They include:

2004-05 Fiscal Year Budget Supplemental Report Language

1. Administrative Costs Allocation
2. Field Offices

AB 986 Legislative Analyst's Office Report to the Legislature.

With your approval, the Board Proceedings Division will place these items on the Public Agenda Notice and provide a copy of the attachment to each Board Member.

If you have any questions, please call Dade Powers at 445-3498.

RZ:ips
RZ018

Attachment

cc: Mr. Dade Powers
Ms. Marcia Davey
Ms. Randie Henry

Approved


Ramon J. Hirsig

2004-05 Fiscal Year Budget Supplemental Report Language

1. **Administrative Costs Allocation.** The Board of Equalization (BOE) shall provide to the Chair of the Joint Legislative Budget Committee (JLBC) and chairs of the fiscal committees of the Legislature by December 1, 2004, a report that provides an analysis of methodological approaches to allocating the administrative costs of collecting the sales and use tax and the transactions and use tax among and between the state General Fund, special funds, Bradley Burns, and local option taxes. The analysis and report shall be prepared in consultation with the Legislative Analyst's Office, the Department of Finance (DOF), and appropriate local government representatives and shall contain detailed information regarding cost allocation methodologies for various activities based on workload or other factors, including their fiscal implications.
2. **Field Offices.** The BOE shall provide to the Chair of the JLBC and the chairs of the fiscal committees of the Legislature by December 1, 2004, a report containing the following information: (1) unit costs of providing taxpayer services and audit and collection activities at the BOE's 27 field offices; (2) net annual budgetary benefits of consolidating or closing four BOE field offices (one in each BOE district); (3) estimated impact on all BOE-collected tax revenues from field office consolidations or closures identified in (2) above; and (4) net annual benefits of reducing or eliminating the Houston office of BOE. Data provided shall include one-time and ongoing budgetary and revenue impacts. The information shall also be provided to the DOF.

AB 986 Legislative Analyst's Office Report to the Legislature

SECTION 1. Section 38 is added to the Revenue and Taxation Code, to read: 38. (a) The Legislative Analyst shall submit a report to the Legislature regarding the possible consolidation of the remittance processing and cashiering functions and the mail processing operations, of the Franchise Tax Board, the State Board of Equalization, and the Employment Development Department. (b) The Franchise Tax Board, the State Board of Equalization, and the Employment Development Department shall provide the Legislative Analyst all data and information that the Legislative Analyst identifies as necessary for completing the report and shall assist the Legislative Analyst in the preparation of the report. The information provided to the Legislative Analyst shall include, but not be limited to, an evaluation of the short- and long-term fiscal and budgetary advantages and disadvantages that would result from the proposed consolidation of the remittance processing and cashiering functions and the mail processing functions of, the Franchise Tax Board, the State Board of Equalization, and the Employment Development Department. Any data and information requested by the Legislative Analyst shall be submitted on or before July 1, 2004. (c) The purpose of the report required by this section is to determine, to the extent possible and based on available information and reasonable assumptions, if there are any benefits to the consolidation of the management and control of these operations based on all of the following criteria: (1) The elimination of duplicative functions and fragmented responsibilities. (2) Increased operational efficiencies due to the use of improved technologies and economies of scale. (3) Additional interest earnings for the state. (d) For purposes of this section, "remittance processing and cashiering" means receiving, batching, balancing, and depositing remittances. (e) The Legislative Analyst shall provide to the Legislature its report and any recommendations and considerations with regard to the possible consolidation of these functions by November 1, 2004.