

**STATE BOARD OF EQUALIZATION
FISCAL YEAR 2005-06
FINANCE LETTER NO. 1**

TITLE OF PROPOSED CHANGE:

Out-of-State Legal Cases

SUMMARY OF PROPOSED CHANGES:

The State Board of Equalization (BOE) is submitting this proposal to request the additional personnel to perform the necessary legal services in-house along with contracting funds to hire outside counsel when needed for out-of-state legal cases. The BOE must take over this responsibility because the Attorney's General Office informed the BOE that they do not have the resources to continue to represent the BOE in out-of-state legal cases.

Therefore, this proposal requests 4.0 positions (3.8 PYs) and \$1,862,000 (\$1,430,000 General Fund, \$32,000 Special Funds and \$400,000 Reimbursements) for FY 2005-06 and 4.0 positions (3.8 PYs) and \$1,819,000 (\$1,396,000 General Fund, \$32,000 Special Funds and \$391,000 Reimbursements) for FY 2006-07 and ongoing. Of the total annual amount requested, \$1,200,000 is requested in funds for contracts with outside counsel.

These requested positions and resources are expected to recover \$10.3 million annually. Therefore, the benefit-to-cost ratio of this proposal is estimated to be 5.5:1 for FY 2005-06 and 5.7:1 for FY 2006-07.

FISCAL IMPACT:

	Appropriation No.			Dollars (in Thousands)		
	(Org)	- (Ref)	- (Fund)	Past Year	Current Year	Budget Year
Existing Program:	_____	_____	- _____	\$ _____	\$ _____	\$ _____
	_____	- _____	- _____	\$ _____	\$ _____	\$ _____
	_____	- _____	- _____	\$ _____	\$ _____	\$ _____
	_____	- _____	- _____	\$ _____	\$ _____	\$ _____
Reimbursements	_____	_____	_____	\$ _____	\$ _____	\$ _____
			TOTAL	\$ N/A	\$ N/A	\$ N/A
Positions				_____	_____	_____
Personnel Years				_____	_____	_____
Proposed Changes:	0860	- 001	- 0001	\$ _____	\$ _____	\$ 1,430
(by appropriation)	0860	- 001	- VAR	\$ _____	\$ _____	\$ 32
	_____	- _____	- _____	\$ _____	\$ _____	\$ _____
	_____	- _____	- _____	\$ _____	\$ _____	\$ _____
Reimbursements	0860	- 501	- 0995	\$ _____	\$ _____	\$ 400
			TOTAL	\$ _____	\$ _____	\$ 1,862
Positions				_____	_____	4.0
Personnel Years				_____	_____	3.8

For EDP requests, include date Special Project Report (SPR) or Feasibility Study Report (FSR), approved _____.

State Board of Equalization

Legal Department

OUT-OF-STATE LEGAL CASES

Fiscal Year (FY) 2005-06

A. Nature of Request

The State Board of Equalization (BOE) refers various cases to the Attorney General's Office (AG) for collections in-state for amounts exceeding \$5,000 and out-of-state for amounts exceeding \$10,000. Pursuant to Government Code Section 11042 et.seq., the AG has the sole authority to represent all state agencies and Constitutional Officers in civil law cases including out-of-state bankruptcy cases.

On January 4, 2005, the AG informed the BOE (see Exhibit A) that it does not have the resources to represent the BOE in out-of-state legal cases. Without funds to replace these services, state and local governments stand to lose \$10.3 million per year, based on the AG annual average recovery statistics from January 2003 through December 2004.

Therefore, the BOE is seeking additional personnel to perform necessary legal services in-house as well as funds to pay the fees and costs of outside counsel when needed for out-of-state legal cases. These out-of-state legal cases primarily pertain to bankruptcy proceedings.

This proposal requests 4.0 positions (3.8 PYs) and \$1,862,000 (\$1,430,000 General Fund, \$32,000 Special Funds and \$400,000 Reimbursements) for FY 2005-06 and 4.0 positions (3.8 PYs) and \$1,819,000 (\$1,396,000 General Fund, \$32,000 Special Funds and \$391,000 Reimbursements) for FY 2006-07 and ongoing. Of the total annual amount requested, \$1,200,000 is requested for contracts with outside counsel. This proposal is necessary for the BOE to maintain legal representation for out-of-state legal cases.

These requested positions and resources are expected to recover \$10.3 million annually. Therefore, the benefit-to-cost ratio of this proposal is estimated to be 5.5:1 for FY 2005-06 and 5.7:1 for FY 2006-07.

B. Background/History

The BOE has referred 83 out-of-state cases to the AG in the last two years, January 1, 2003 through December 31, 2004. The AG has recovered \$20.6 million in revenue for 39 cases within this same time period. Therefore, based on information over the past two years, the average annual recovery for out-of-state cases is \$10.3 million (\$20.6 million/ 2 years=\$10.3 million per year). Of the \$20.6 million recovered by the AG, \$18.6 million represents recoveries in Business Taxes cases and \$2 million in Property Tax cases.

Moreover, the AG currently has in its inventory 29 out-of-state bankruptcy cases for the BOE representing \$22.8 million in outstanding revenue. Without timely legal representation in out-of-state courts on these pending cases, the State could potentially lose this \$22.8 million.

The AG has not provided the BOE with a complete itemization of its fees for the previous out-of-state legal services it has performed on behalf of the BOE. This is because the AG often hired outside counsel to perform services in out-of-state litigation and paid outside counsel from its own budget. The AG did not seek reimbursement from the BOE on these matters so the BOE does not have a complete record of total costs incurred. Thus, the request for funding in this proposal is based, in large part, upon the projected number of future out-of-state legal cases that will require the services of outside counsel to litigate on behalf of the BOE; as well as the hiring of additional staff with the necessary qualifications to manage in-house the additional workload for the out-of-state legal cases.

The BOE is requesting a total of \$1.2 million for the fees and expenses of out-of-state legal counsel. Of that amount, \$500,000 is requested for costs associated with Property Tax cases, and \$700,000 is requested for costs associated with Business Taxes cases.

The Property Tax Division currently has three outstanding bankruptcy cases pending out-of-state, for which it is estimated that the legal fees for outside counsel will total \$350,000. It is anticipated that there will be as many as five more new out-of-state bankruptcies in this current FY 2004-05 where outside counsel will be required. Thus, it is reasonable to estimate that outside legal costs for the Property Tax cases will reach \$500,000 by the end of this fiscal year.

For the Business Tax cases, in FY 2002-03 the AG spent \$1 million in out-of-state legal costs on behalf of the Business Taxes Division. In the first half of FY 2003-04, the AG spent \$350,000, and brought in-house a number of matters that previously would have been worked by out-of-state counsel. Since the Business Taxes Division anticipates doing some of the legal work in-house, it is reasonably anticipated that \$700,000 will be spent on out-of-state counsel during FY 2005-06, since the AG spent half that amount over half of the last full fiscal year of FY 2003-04. Furthermore, the request for \$700,000 takes into account the fact that

B. Background/History (Continued)

the Business Taxes Division has hired out-of-state counsel in three large cases in the last 3-4 months (September 2004 through December 2004), and the legal bills on those cases alone already totals approximately \$120,000. Moreover, the AG has cases already pending where out-of-state counsel has been retained on BOE's behalf, and it is anticipated that the responsibility for some of those cases will shift from the AG to the BOE. It is also anticipated that BOE will see a number of new bankruptcy filings out of state in the coming fiscal year. Given this current year workload, costs could easily rise to \$700,000 by the end of this fiscal year to hire outside counsel for these business tax cases.

It is important to point out that bankruptcy filings outside the state of California are becoming a more prevalent occurrence for programs administered by the BOE. Prior to five years ago, the majority of BOE's bankruptcy filings by corporations were filed within California. Out-of-state bankruptcy cases have been rapidly rising as corporations are allowed to file bankruptcy in the state where the business is located or incorporated. Delaware and New York have become the most popular states where businesses are incorporating due to their flexible corporate laws.

C. State Level Considerations

STRATEGIC PLAN CONFORMITY:

This request is consistent with the BOE's Strategic Plan specifically this proposal conforms to:

- Issue 1 – Demonstrating Quality Services and Best Value, Strategy 4 – Expand partnering efforts with the public and private sectors to capitalize on cost-effective methods to gather, use, and/or share information.
- Issue 4 - Attracting and Retaining a Well-Qualified Workforce, Strategy 1 - Develop innovative recruitment approaches to attract staff with targeted and highly competitive skill sets.

Issue 1 will allow the BOE to hire outside counsel when needed for out-of-state legal cases to ensure that the BOE has legitimate representation in out-of-state courts. In support of Issue 4, the proposal allows BOE to hire additional staff with the necessary qualifications to manage in-house the additional workload of out-of-state legal cases.

D. Justification/Analysis of all Feasible Alternatives

Alternative 1 – Approve the requested positions and related resources on an ongoing basis.

This alternative permanently requests total funding of \$1,862,000. Of this amount, \$1,200,000 is earmarked to pay the fees and expenses of outside counsel for legal services in out-of-state litigation. The balance of \$662,000 is earmarked to create four new legal positions (2 Tax Counsel III Specialist, 1 Tax Counsel IV, and 1 Staff Services Analyst) for FY 2005-06 to perform legal services that would otherwise be performed by outside counsel and to oversee the activities of outside counsel, as explained below. These services include legal research, drafting of legal memoranda and other legal pleadings, drafting discovery requests and discovery responses, coordinating with Board staff regarding facts and information, and other litigation tasks. As the Board's in-house legal staff becomes more experienced and proficient in out-of-state litigation, it will undertake a significantly greater proportion of the litigation tasks.

BOE staff estimates that in-house legal staff will perform at least 3000 hours of legal services that would otherwise be performed by outside counsel. Outside counsel charges the BOE for legal attorney services at an hourly rate of at least \$365. At this hourly rate, the cost to the BOE for these services, exclusive of expenses, would be at least \$1,095,000. The BOE legal attorney staff would perform these same services, inclusive of costs, at a blended hourly rate of \$94 (\$505,000 divided by 5400 hours) for a total of \$282,000. The savings to the BOE will be \$816,000 (\$1,095,000 minus \$282,000). In addition, the legal staff will be performing services that outside counsel cannot perform. These services include negotiating, drafting, and administering contracts with outside counsel, reviewing the bills of outside counsel for errors, overcharges, and necessity of services and negotiating adjustments to the bills, as well as generally overseeing and managing the services of outside counsel.

The request for funds for outside counsel takes into consideration that BOE legal staff would be performing a significant amount of the legal work. Without the additional staff, the dollar amount for outside counsel fees would be greater.

The Legal Department at the BOE does not currently have sufficient staff to perform the out-of-state bankruptcies and litigation. Litigation is a specialty within the law, which requires special skills. In addition to the knowledge of which pleadings need to be filed, for example, a litigation attorney must also be familiar with the local rules of the courts in which he or she practices. Bankruptcy cases are now frequently being filed in many other states, including cases in Illinois, New York, Delaware, and Texas. BOE attorneys are not licensed to practice in states other than California. Because the AG has represented the BOE in out-of-state bankruptcies and litigation, or has hired outside counsel for such representation, the legal staff at BOE has not been required to hire staff attorneys proficient in litigation skills.

D. Justification/Analysis of all Feasible Alternatives (Continued)

Alternative 1 – Approve the requested positions and related resources on an ongoing basis. (Continued)

Additionally, out-of-state counsel are frequently “home-towned” by local counsel representing opposing parties. The clerks and the judges know the local attorneys, either through personal knowledge or by reputation, and decisions and rulings tend to favor local counsel over out-of-state counsel. Many of the cases being filed involve very large companies, who retain skilled counsel at large firms. Presentation of the BOE’s position will require in many cases the availability of a large firm that can address the many issues and the various types of hearings, to best protect the interests of the state. The BOE has previously been able to rely on the expertise of the AG, and the vast resources available to it, to represent the state’s interests. With the AG’s decision not to represent the BOE in out-of-state litigation, the BOE Legal Department must be in a position to replicate that representation. Therefore, this alternative seeks a blend of staff positions to oversee the work of outside counsel and to perform some of the litigation work by litigation counsel on staff, together with funds for outside counsel with the required expertise in the various states.

Pros:

- Protects revenue base of an estimated \$10.3 million per year.
- Provides effective management of out-of-state legal cases.
- Provides resources and authority to enter into contract agreements with out-of-state counsel.
- Generates a benefit-to-cost ratio estimated at 5 to 1.
- Allows BOE to keep abreast of important developments on cases.

Cons:

- Establishing the positions on a permanent basis would require continued funding.
- Requires budget augmentation to provide resources for this purpose.

<u>Summary of Need for Alternative 1</u>	
<u>Classification</u>	<u>FY 2005-06 & Ongoing Positions Requested</u>
Tax Counsel III (Specialist)	2.0
Tax Counsel IV	1.0
Staff Services Analyst	1.0
Total Positions	4.0

D. Justification/Analysis of all Feasible Alternatives (Continued)

Alternative 2- Request resources entirely for contracts with outside counsel with no new BOE positions.

Under this Alternative, the outside counsel will have the sole discretion to pursue or not pursue a filing of a claim in bankruptcy courts. The outside counsel will review bankruptcy notices to determine whether to submit a filing or not; will review bankruptcy pleadings to determine the legal impact; will create and execute the legal plan of action; and will litigate on behalf of the BOE. The possible legal actions can be to pursue in-court litigation and/or settle with no recovery or at a loss.

This Alternative will still create increased workload for the BOE staff to negotiate and administer contracts to obtain outside counsel; to review and maintain their bills for accuracy and integrity; to maintain internal records to keep up to date on the progress of each out-of-state case; and to periodically audit selected out-of-state cases for BOE compliance. Currently, the Legal Department has one attorney responsible for all collection related legal matters, including bankruptcy and other litigation. This one position is not capable of handling the current workload plus the additional workload for the out-of-state litigation. Without additional staff, the BOE will not be able to effectively manage the outside counsel.

Moreover, outside counsel charges the BOE for legal attorney services at an hourly rate of at least \$365. At this hourly rate, the cost to the BOE for these services, exclusive of expenses, would be at least \$1,095,000. The BOE legal attorney staff would perform these same services, inclusive of costs, at a blended hourly rate of \$94 (\$505,000 divided by 5400 hours) for a total of \$282,000. The savings to the BOE will be \$816,000 (\$1,095,000 minus \$282,000). In addition, the legal staff will be performing services that outside counsel cannot perform. These services include negotiating, drafting, and administering contracts with outside counsel, reviewing the bills of outside counsel for errors, overcharges, and necessity of services and negotiating adjustments to the bills, as well as generally overseeing and managing the services of outside counsel.

Pros:

- Requires no funding for BOE positions.

Cons:

- The BOE loses effective oversight of the out-of-state cases, which could result in losing revenue owed to California.
- The BOE concedes direct management of the out-of-state cases to the outside counsel.
- The outside counsel may lack the expertise regarding California taxation law that the BOE staff possesses.

D. Justification/Analysis of all Feasible Alternatives (Continued)

Alternative 2- Request resources entirely for contracts with outside counsel with no new BOE positions. (Continued)

Cons: (Continued)

- The requested funding will increase considerably due to the higher compensation for outside legal counsel attorney fees versus the BOE staff salaries.
- The BOE will have no personnel to attend to the additional workload and the workload will have to be absorbed by current staff.

Alternative 3– Do not pursue out-of-state legal cases.

Pros:

- Requires no additional funding.

Cons:

- Risk the loss of an estimated \$10.3 million per year in revenue, in addition to the \$22.8 million at risk in pending cases where the AG currently represents BOE.

E. Timetable

The recommended alternative is proposed for July 1, 2005.

F. Recommendation

The BOE recommends that Alternative 1 be approved.

Approval of this Alternative, at a cost of \$1,862,000 for FY 2005-06 and \$1,819,000 for FY 2006-07 and ongoing, will ensure that the BOE has adequate representation for out-of-state legal cases. In addition, its approval will allow the BOE to recover an estimated \$10.3 million annually in potential revenue.

The benefit-to-cost ratio is estimated to be 5.5:1 for FY 2005-06 and 5.7:1 for FY 2006-07.

G. Fiscal Detail

See attached "Fiscal Detail".

BILL LOCKYER
Attorney General

Finance Letter No. 1

State of California
DEPARTMENT OF JUSTICE



RONALD REAGAN BUILDING
300 SOUTH SPRING STREET, SUITE 1702
LOS ANGELES, CA 90013

Public: (213) 897-2000
Telephone: (213) 897-2489
Facsimile: (213) 897-5775
E-Mail: dean.freeman@doj.ca.gov

EXHIBIT A

January 4, 2005

Jeffrey Graybill
Supervising Tax Counsel
State Board of Equalization
450 N Street
P.O. Box 942879
Sacramento, CA 94279-0082

RE: Out-of-State Cases

Dear Jeff:

Thank you for your letter of December 30, 2004. Your general understanding is correct that, except in special circumstances, the Office of the Attorney General does not have the expertise and/or capacity to represent the Board of Equalization in out-of-state cases. Please feel free to contact me if I can give you any additional information.

Sincerely,

W. DEAN FREEMAN
Lead Supervising Deputy Attorney General

For **BILL LOCKYER**
Attorney General

cc: David S. Chaney,
Senior Assistant Attorney General

EXHIBIT A



STATE OF CALIFORNIA

STATE BOARD OF EQUALIZATION
450 N STREET, SACRAMENTO, CALIFORNIA
PO BOX 942879, SACRAMENTO, CALIFORNIA 94279-0082
916-324-2816 • FAX 916-323-3387
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EXHIBIT A

BETTY T. YEE
Acting Member
First District, San Francisco

BILL LEONARD
Second District, Sacramento/Ontario

CLAUDE PARRISH
Third District, Long Beach

JOHN CHIANG
Fourth District, Los Angeles

STEVE WESTLY
State Controller, Sacramento

RAMON J. HIRSIG
Executive Director

December 30, 2004

VIA FACSIMILE (213-897-5775) AND FIRST CLASS MAIL

Dean W. Freeman, Esq.
Lead Supervising Deputy Attorney General
State of California Department of Justice
Ronald Reagan Building
300 South Spring Street, Suite 1702
Los Angeles, California 90013

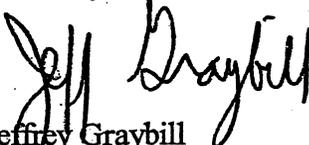
Re: Out-Of-State Cases

Dear Dean:

In response to recent communiqués from the California Department of Justice, the State Board of Equalization is in the process of seeking budget authority to fund legal representation in out-of-state litigation matters, including bankruptcy proceedings. In this regard, it would facilitate the process of obtaining the necessary funding if you would confirm our understanding that in general, the California Attorney General does not have the expertise or capacity to meaningfully represent the Board of Equalization in out-of-state cases. Therefore, the California Attorney General will not be representing the Board of Equalization in these cases, except in special circumstances.

This matter has some urgency and a response at your earliest convenience would be greatly appreciated. Thank you in advance for your attention to this important matter.

Sincerely,


Jeffrey Graybill
Supervising Tax Counsel

JG/ds

EXHIBIT A

EXHIBIT B

Position Task Descriptions

OUT-OF-STATE LEGAL CASES

Fiscal Year (FY) 2005-06

Tax Counsel III (Specialist)

<u>Task Description</u>	<u>FY 05-06 & Ongoing Hour</u>
Review bankruptcy notices to determine whether the Board should file a proof of claim in bankruptcy court; assure that such proof of claims are filed timely so that the Board does not lose standing to make a claim; review bankruptcy notices to determine whether the bankruptcy court's automatic stay will be violated if Board collection activity proceeds; review bankruptcy pleadings to determine their legal impact, whether legal action should be taken by the Board, and if so, what specific legal action should be taken.	1800
Analyze and research legal and factual issues in bankruptcy cases handled in-house; assist and liaison with the out-of-state counsel in out-of-state bankruptcy cases, and, as determined by the Tax Counsel IV, handle various issues in-house in those cases.	1080
Coordinate with Board staff regarding documentation and other factual information in preparation for litigation and response to discovery requests.	720
Total Hours Per Year – Tax Counsel III (Specialist)	3,600
Positions Requested	2.0

Tax Counsel IV

<u>Task Description</u>	<u>FY 05-06 & Ongoing Hour</u>
Determine when out-of-state litigation counsel is needed; find counsel; obtain at least three bids from various counsel; negotiate duties and hourly rates for various tasks with out-of-state counsel; prepare contract of employment; monitor billings. Monitor progress of out-of-state litigation. Determine which out-of-state cases will be handled in-house; determine the complexity of the case and which in-house attorney will be assigned the case.	360
Personally assist out-of-state counsel in the most complex bankruptcy litigation and in the highest dollars bankruptcy litigation.	360
Personally appear as the litigation counsel in out-of-state bankruptcy court when appropriate.	360

EXHIBIT B

Position Task Descriptions (Continued)

OUT-OF-STATE LEGAL CASES

Fiscal Year (FY) 2005-06

Tax Counsel IV (Continued)

<u>Task Description</u>	<u>FY 05-06 & Ongoing Hour</u>
Act as lead attorney in the following: the reviewing of all bankruptcy notices to determine whether the Board should file a proof of claim in bankruptcy court; the assuring that such proof of claims are filed timely so that the Board does not lose standing to make a claim; the reviewing of all bankruptcy notices to determine whether the bankruptcy court's automatic stay will be violated if Board collection activity proceeds; the reviewing of all bankruptcy pleadings to determine their legal impact, whether legal action should be taken by the Board, and if so, what specific legal action should be taken.	270
Act as lead attorney in the following: analysis and research of legal and factual issues in bankruptcy cases which Board attorneys will handle; in out-of-state bankruptcy cases, determine which in-house attorney will assist and liaison with the out-of-state counsel and what issues will be handled in-house by the Board attorney.	270
Act as lead attorney in the following: coordination with Board staff regarding documentation and other factual information in preparation for litigation and response to discovery requests.	180
Total Hours Per Year – Tax Counsel IV	1,800
Positions Requested	1.0

Staff Services Analyst (SSA)

<u>Task Description</u>	<u>FY 05-06 & Ongoing Hours</u>
Calendar all bankruptcy deadlines, monitor deadlines, and coordinate with Board staff to ensure all deadlines are met.	360
Prepare contracts and negotiate terms of contracts with outside counsel and coordinate administrative approval process.	180
Review outside counsel billings for accuracy and integrity and correspond and negotiate the same.	360
Perform legal research and draft proofs of claim and pleadings to assist the Board's legal staff.	360
Timely file and serve Board's proofs of claim and pleadings.	360
Analyze and prepare management reports.	180
Total Hours Per Year – Staff Services Analyst	1,800
Positions Requested	1.0

FINANCE LETTER
 FISCAL DETAIL
 FISCAL YEAR 2005-06
 (\$ in Thousands)

Title of Proposed Change: OUT-OF-STATE LEGAL CASES

30 Sales and Use Tax/30.40 Collecting Taxes Receivable
 20 State Assesses Property/20.10 Assessment of Public Util

Program/Element/Component: 45 Cigarette and Tobacco Tax/45.50 Collecting Taxes Receivable

	Personnel Years		Current Year	Budget Year
	CY	BY		
TOTAL SALARIES AND WAGES _a/		4.0		\$323
Salary Savings		-.2		-16
NET TOTAL SALARIES AND WAGES		3.8		307
Staff Benefits _a/				109
NET TOTAL SALARIES AND WAGES		3.8		416
Distributed Administration _b/				135
TOTAL PERSONAL SERVICES		3.8		\$551
OPERATING EXPENSE AND EQUIPMENT				
General Expense				\$39
Distributed Administration _b/				34
Printing				
Communications				5
Postage				
Travel--In-State				
Travel--Out-of -State				15
Training				3
Facilities Operations				11
Consulting & Professional Services: Interdepartmental				
Consulting & Professional Services: External				1,200
Stephen P. Teale Data Center				
Data Processing				4
Equipment				
Other Items of Expense: (Specify Below)				

_a/ See page 16 of 17 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.

TOTAL OPERATING EXPENSE AND EQUIPMENT

\$1,311

TOTAL EXPENDITURES (State Operations)

\$1,862

Source of Funds

General Fund	(0001)		\$1,430
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Special Funds:

Breast Cancer Fund	(0004)		\$1
State Emergency Telephone	(0022)		
Propane Surcharge Fund	(0051)		
Motor Vehicle Fuel	(0061)		
Occupational Lead Prevention Fund	(0070)		
Childhood Lead Poisoning Prev. Fund	(0080)		
Cig. and Tobacco Prod. Surtax Fund	(0230)		\$17
Oil Spill Prevention and Admin. Fund	(0320)		
Integrated Waste Management Fund	(0387)		
Underground Storage Tank Fund	(0439)		
Energy Resources Programs Account	(0465)		
CA. Children and Families First Trust Fund	(0623)		\$14
Timber Tax Fund	(0965)		
Gas Consumption Fund	(3015)		

Federal Funds

Other Funds

Reimbursements:	(0995)		\$400
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Net Total Augmentation (Source of Funds)		\$1,862
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**DETAIL OF STAFF BENEFITS
AND PERSONAL SERVICES**

Finance Letter No. 1

Staff Benefits Detail:

Current Year Budget Year
(Whole Dollars)

OASDI									\$23,500
Health Insurance									31,900
Retirement									45,600
Workers' Compensation									5,900
Industrial Disability Leave									300
Non-Industrial Disability Leave									400
Unemployment Insurance									300
Other									800
TOTAL									\$109,000

		<u>Positions</u>				<u>Amount</u>			
<u>Classification</u>		<u>CY</u>	<u>BY</u>	<u>Salary _c/</u>		<u>CY</u>	<u>BY</u>		

Legal Department:

Business Taxes Section:

Tax Counsel III (Specialist)_d/		2.0		\$92,520				\$185,000
Tax Counsel IV _e/		1.0		\$102,240				102,200
Staff Services Analyst _f/		1.0		35,916				35,900

Blanket Funds:

Overtime (Various)
Temporary Help

TOTAL SALARIES AND WAGES			<u>4.0</u>						\$323,100
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_c/ The salary is the mid-step of the salary range for the stated classification.

_d/ 2 permanent full-time positions effective July 1, 2005.

_e/ 1 permanent full-time position effective July 1, 2005.

_f/ 1 permanent full-time position effective July 1, 2005.

SUMMARY OF PROPOSED CHANGES

	<u>Current Year</u> (\$ in Thousands)	<u>Budget Year</u> (\$ in Thousands)	<u>Budget Year + One</u> (\$ in Thousands)
Proposed Equipment:			
Office Furnishings/Workstations		\$33	
Office Equipment		6	
Total		<u>\$39</u>	
Proposed Contracts:			
Consulting and Professional Services-External		\$1,200	\$120,000
Total		<u>\$1,200</u>	<u>\$120,000</u>
One-Time Costs:			
General Expense		\$32	
Communications		3	
Data Processing		4	
Total		<u>\$39</u>	
Future Savings:			
N/A			
Total			
Full-Year Cost Adjustments:			
N/A			
Total			