State of California

Board of Equalization
Office of the Executive Director – MIC:73

Memorandum

To : Honorable Betty T. Yee, Chairwoman
Honorable Judy Chu, Ph.D., Vice-Chair
Honorable Bill Leonard
Honorable Michelle Steel
Honorable John Chiang

Date : August 1, 2007

From : Ramon J. Hirsig
Executive Director

Subject: **Fiscal Year 2008-09 Budget Change Proposals**

I am pleased to present the Fiscal Year (FY) 2008-09 Budget Change Proposals (BCPs) for your consideration. In developing our proposed spending plan for the Governor's Budget, we have developed BCPs that support the Board of Equalization's (BOE) *FY 2007-2011 Strategic Plan* by:

- Continuing and introducing new initiatives to address the tax gap problem through improved compliance as well as revenue generation.
- Creating an expanded and responsive infrastructure, particularly in the area of increased E-services for taxpayers.
- Providing expanded outreach to taxpayers and greater protection of taxpayer rights.

In FY 2007-08, the Legislature and the Administration supported our efforts to address the General Fund shortfall and fulfill various legislative mandates by funding the BOE proposals. Funding addressed resources to continue our Consumer Use Tax Section and U.S. Customs Program revenue enhancement, administration of our E-Waste program and other special tax compliance efforts, and our E-filing Infrastructure Project.

For FY 2008-09, the BOE continues its effort to achieve fair, effective and efficient tax administration with an emphasis on supporting BOE's *Strategic Plan*. Drafts of seven of the eight FY 2008-09 BCPs are attached for your review and consideration at the August 14 Sacramento Board Meeting. A placeholder for *Tax Gap Initiatives* is included pending the outcome of the Interested Parties meetings. The BCPs are supported by projected revenues that finance their costs; therefore, these proposals meet the Administration's Budget Policy Letter instructions.

The Government Code requires a comprehensive Governor's Budget spending plan. As a result, there may be additional proposals addressing future legislation signed after the BCPs are submitted to the Department of Finance and which will be included in the Governor's Budget. I look forward to answering any questions you have on our *Strategic Plan* and these proposals. I will report to you throughout this fiscal year on the progress of the proposals approved on August 14th.

If you have any questions or need additional information, please contact me at 327-4975, or David Gau, Administration Department Interim Deputy Director, at 445-4272.

RJH:CC:sy
Attachments

cc: Mr. Alan LoFaso
Mr. Steve Shea
Ms. Barbara Alby
Ms. Margaret Pennington
Mr. Eric Reslock
Mr. Erik Caldwell
Ms. Marcy Jo Mandel
Executive Team
Ms. Caroline Cabias
Budget Section

STATE BOARD OF EQUALIZATION

FY 2008-2009 Budget Change Proposals

August 14, 2007

**** FISCAL SUMMARY****

	Budget Year			Budget Year +1		
	Positions	Personnel Years	Expenditures (000's)	Positions	Personnel Years	Expenditures (000's)
Maximize Fairness and Education in the County Assessment Standards Program (CASP)	4.0	3.8	$516	4.0	3.8	$494
Cigarette and Tobacco Products Taxes Revenue Recovery (Cig. & Tob. Products Tax)	48.0	45.6	4,191	48.0	45.6	4,114
Statewide Business License Inspection Program (BLIP)	108.2	102.8	11,436	136.1	129.3	12,410
Agricultural Inspection Station Tax Leads (Ag. Inspections)	16.0	15.2	1,386	16.0	15.2	1,396
Tax Gap Initiatives (Tax Gap)	TBD	TBD	TBD	TBD	TBD	TBD
E-Services Expansion (E-Services)	3.0	2.8	4,485	8.5	8.1	4,224
New Special Taxing Jurisdictions (STJ's)	7.5	7.1	567	7.5	7.1	492
Improved TaxPayers' Rights (TRA) /Equal Employment Office (EEO) Outreach and Services (TRA/EEO)	5.0	4.7	568	5.0	4.7	481
TOTAL	191.7	182.0	$23,149 *	225.1	213.8	$23,611 **

* General Fund: $11,471 million, Special Funds: $5,777 million, and Reimbursements: $5,901 million.

** General Fund: $11,881 million, Special Funds: $5,599 million, and Reimbursements: $6,131 million.

STATE BOARD OF EQUALIZATION

FY 2008-2009 Budget Change Proposals
Budget Year Impact

August 14, 2007

FUNDING SUMMARY

FUND	BCP ($ In Thousands)								
	CASP	Cig. & Tob. Products Tax	BLIP	Ag. Inspections	Tax Gap	E-Services	STJ's	TRA/ EEO	TOTAL BCPs
GENERAL FUND (0001)	$516	$385	$7,433	$779	TBD	$1,668	$371	$319	$11,471
SPECIAL FUNDS									
BREAST CANCER FUND (0004)		77				23		1	101
EMERGENCY TELEPHONE (0022)						3		1	4
MOTOR VEHICLE FUEL (0061)				187		105		31	323
OCCUPATIONAL LEAD (0070)						3		1	4
CHILDHOOD LEAD (0080)						2		1	3
CIGARETTE & TOBACCO (0230)		963				325		10	1,298
OIL SPILL PREVENTION (0320)						1			1
INTEGRATED WASTE (0387)						2		1	3
UNDERGROUND TANK (0439)						290		4	294
ENERGY RESOURCES (0465)						1			1
CA CHILDREN AND FAMILIES FIRST TRUST (0623)		2,766				639		16	3,421
TIMBER TAX (0965)						11		3	14
GAS CONSUMPTION (3015)						2		1	3
WATER RIGHTS FUND (3058)						2		1	3
ELEC. WASTE RECOVERY AND RECYCLING ACCT. (3065)						297		7	304
CIG. AND TOBACCO PROD. COMPLIANCE FUND (3067)									-
SUBTOTAL SPECIAL FUNDS	-	3,806	-	187	-	1,706	-	78	5,777
FEDERAL FUNDS (0890)									-
REIMBURSEMENTS (0995)			4,003	420		1,111	196	171	5,901
GRAND TOTAL	$516	$4,191	$11,436	$1,386	TBD $0	$4,485	$567	$568	$23,149

STATE BOARD OF EQUALIZATION

FY 2008-2009 Budget Change Proposals
Budget Year + 1 Impact

August 14, 2007

FUNDING SUMMARY

FUND	BCP ($ In Thousands)								
	CASP	Cig. & Tob. Products Tax	BLIP	Ag. Inspections	Tax Gap	E-Services	STJ's	TRA/ EEO	TOTAL BCPs
GENERAL FUND (0001)	$494	$375	$8,066	$786	TBD	$1,571	$320	$269	$11,881
SPECIAL FUNDS									
BREAST CANCER FUND (0004)		75				22		1	98
EMERGENCY TELEPHONE (0022)						3		1	4
MOTOR VEHICLE FUEL (0061)				187		98		25	310
OCCUPATIONAL LEAD (0070)						3		1	4
CHILDHOOD LEAD (0080)						2		1	3
CIGARETTE & TOBACCO (0230)		941				306		8	1,255
OIL SPILL PREVENTION (0320)						1			1
INTEGRATED WASTE (0387)						2		1	3
UNDERGROUND TANK (0439)						272		4	276
ENERGY RESOURCES (0465)						1			1
CA CHILDREN AND FAMILIES FIRST TRUST (0623)		2,723				601		14	3,338
TIMBER TAX (0965)						11		3	14
GAS CONSUMPTION (3015)						2		1	3
WATER RIGHTS FUND (3058)						2		1	3
ELEC. WASTE RECOVERY AND RECYCLING ACCT. (3065)						280		6	286
CIG. AND TOBACCO PROD. COMPLIANCE FUND (3067)									-
SUBTOTAL SPECIAL FUNDS	-	3,739	-	187	-	1,606	-	67	5,599
FEDERAL FUNDS (0890)									-
REIMBURSEMENTS (0995)			4,344	423		1,047	172	145	6,131
GRAND TOTAL	$494	$4,114	$12,410	$1,396	TBD $0	$4,224	$492	$481	$23,611