

Electronic Services Expansion

Purpose:

BOE requests continued and new funding to expand the e-services offered to BOE's tax and fee payers. This proposal will offer on-line registration to tax and fee payers. This proposal will allow the BOE to offer internet registration for all tax and fee programs. Also, this proposal will continue to automate labor-intensive manual processes, reduce processing, storage and retrieval costs, increase revenues and offer alternative filing methods while improving service to taxpayers.

Justification:

- Potential estimated increased revenue over the first six years of the project is \$76.6 million if cost savings are redirected to revenue generating positions.
- Provides an average estimated benefit-to-cost ratio of 4.7 to 1 over the first six years of the project.
- The current manual process does not adequately support BOE's commitment to reducing processing costs, increasing revenue, improving services and increasing productivity.
- This proposal will maximize voluntary compliance in BOE's programs, improve the efficiency of BOE's tax and fee programs, and create an expanded and responsive infrastructure.
- Greater automation offers opportunities to improve the BOE's effectiveness and efficiency in providing quality services and is consistent with the goals of the organization.

		FY 2008-09	FY 2009-10	FY 2010-11
Expenditures	Total	\$4,485,000	\$4,224,000	\$1,926,000
	Continuation	97,000	97,000	97,000
	New	4,388,000	4,127,000	1,829,000
Funding Source	General Fund	\$1,668,000	\$1,571,000	\$716,000
	Special Funds	1,706,000	1,606,000	733,000
	Reimbursements	1,111,000	1,047,000	477,000
Positions	Total	3.0	8.0	15.5
	Continuation	1.0	1.0	1.0
	New	2.0	7.0	14.5

Background

- The e-filing program was launched in January 2001 to allow less complex, single location taxpayers to file their sales and use tax returns electronically.
- In September 2005, BOE implemented its free e-filing system (BOE-file) for approximately 700,000 single locations of sales and use tax accounts (long form).
- In July 2006, BOE implemented e-filing for single location sales and use tax accounts that file an EZ return form.
- As of May 2007, the BOE implemented additional enhancements that allow single location sales and use taxpayers on a quarterly prepayment basis to e-file their quarterly prepayment returns and monthly prepayment forms, as well as the option for e-filers to pay via credit card, using the BOE's credit card processor.
- Approximately 89% of sales and use tax accounts are eligible to e-file. During fiscal year 2007/08, the BOE will be implementing new functionality which will allow taxpayers with multiple locations or those who are mandated to pay their taxes through electronic fund transfers to e-file.

**STATE BOARD OF EQUALIZATION
FISCAL YEAR 2008-09**

TITLE OF PROPOSED CHANGE:

ELECTRONIC SERVICES EXPANSION

SUMMARY OF PROPOSED CHANGES:

This proposal requests continued and new funding to expand the e-services offered to BOE's tax and fee payers. This proposal will continue to automate labor-intensive manual processes, reduce processing, storage and retrieval costs, increase revenues and offer alternative filing methods while improving service to taxpayers. It is anticipated that this proposal will generate estimated cost savings and revenue of \$76.6 million during the first six years of this project if projected cost savings are redirected to revenue generating positions. Therefore, the average benefit-to-cost ratio of this proposal is estimated at 4.7 to 1 over the first six years of the project.

This proposal requests the following:

- 3.0 permanent positions and \$4,485,000 (\$1,668,000 General Fund, \$1,706,000 Special Funds and \$1,111,000 Reimbursements) in FY 2008-09.
- 8.0 permanent positions and \$4,224,000 (\$1,571,000 General Fund, \$1,606,000 Special Funds and \$1,047,000 Reimbursements) in FY 2009-10.
- 15.5 permanent positions and \$1,926,000 (\$716,000 General Fund, \$733,000 Special Funds and \$477,000 Reimbursements) in FY 2010-11.
- 15.5 permanent positions and \$1,851,000 (\$688,000 General Fund, \$704,000 Special Funds and \$459,000 Reimbursements) in FY 2011-12 and ongoing.

STATE BOARD OF EQUALIZATION

Sales and Use Tax Program Special Taxes Programs

ELECTRONIC SERVICES EXPANSION

Fiscal Year 2008-09

A. Nature of Request

In keeping with the mission statement and strategic plan goals, the Board of Equalization (BOE) must be innovative and proactive in its approach to the future. As such, the BOE must continue to automate labor-intensive manual processes, reduce processing, storage and retrieval costs, increase revenues and offer alternative filing methods while improving service to taxpayers.

This proposal requests the additional resources to allow the BOE to expand the electronic services (e-services) offered to its tax and fee payers. Specifically these services include:

1. On-line registration.
2. Electronic filing (e-filing) for selected special taxes programs (Underground Storage Tank Maintenance Fee, Electronic Waste Recycling Fee, California Tire Fee, and Cigarette and Tobacco Products Tax).
3. E-filing for sales and use tax fuel retailers/distributors.
4. On-line requests for extensions, relief from penalty/interest and declarations of timely mailing.
5. On-line requests for installment payment agreements.

These expanded e-services will help the BOE to meet agency and taxpayer needs in a timely, effective, and efficient manner, while helping BOE move away from the current paper-based manual systems. The BOE requests the following resources for this proposal:

- Permanent establishment of 2.0 business support positions and permanent continuation of 1.0 limited-term position¹ and \$4,485,000 in Fiscal Year (FY) 2008-09.
- Permanent establishment of an additional 5.0 technology support positions and \$4,224,000 in FY 2009-10.
- Permanent establishment of an additional 7.5 technology support positions and \$1,926,000 in FY 2010-11 and \$1,851,000 in FY 2011-12 and ongoing.

Funding for the development of the additional e-services components identified in this proposal will provide the foundation that will allow tax and fee payers to do business with the BOE electronically at any time of the day and at any time of the year. Additionally, this proposal is consistent with the State's policy regarding e-Government – to use technology to make government smarter, faster and more cost-efficient; to provide direct services to

¹ Established in FY 2007-08, by Budget Change Proposal No. 13, E-Filing Infrastructure Project

A. Nature of Request

citizens via the Internet; to streamline government operations and facilitate program delivery, thereby supporting a customer focused and citizen-centered government. The BOE embraces this concept and seeks to continue to move forward with the development of additional e-services that will ultimately enhance customer service and create the efficiencies that are inherent in doing business electronically.

Exhibit A, Cost Savings/Revenue Projection, identifies the estimated cost savings and increase in revenue the BOE expects from implementation of the elements contained in this proposal. With the adoption of Alternative I, the recommended alternative, a potential of \$76.6 million in savings and revenue increase could be achieved over the first six years of the project should the cost savings be redirected to revenue-generating positions (e.g. tax collectors and/or auditors). However, should the cost-savings not be redirected to revenue-generating positions, approximately \$15.4 million in cost savings and \$14.2 million in revenue will be achieved over the first six years of the project.

B. Background/History

The BOE is dedicated to leadership in the field of tax administration and taxpayer services and is committed to reducing processing costs, increasing revenue, improving services and increasing productivity. With over one million registered tax and fee payers for all tax and fee programs that file over three and a half million tax returns and payments annually, the current manual tax return process does not adequately support this commitment. As a result, the BOE is committed to providing an accessible, adaptable and customer-focused environment to tax and fee payers through e-services.

The e-filing program for sales and use tax was launched in January 2001. This program allowed less complex, single location taxpayers to file their sales and use tax returns electronically over the Internet through service providers known as Electronic Return Originators (ERO). The EROs charge a fee to taxpayers choosing to file and remit their sales and use tax return electronically.

Building upon the existing e-filing system, in September 2005, BOE implemented its free e-filing system (BOE-file) for approximately 700,000 single location sales and use tax accounts (long form). Taxpayers that met the eligibility criteria were able to e-file and pay their liability in the same transaction. This included taxpayers on a monthly, quarterly, fiscal year and calendar year reporting basis.

In July 2006, BOE implemented e-filing for single location sales and use tax accounts that file an EZ return form. This enhancement provided a more streamlined e-file option for those taxpayers that do not need to complete all the fields that are present on the long form version.

As of May 2007, the BOE implemented additional enhancements that allow single location sales and use taxpayers on a quarterly prepayment basis to e-file their quarterly prepayment returns and monthly prepayment forms, as well as the option for e-filers to pay via credit card, using the BOE's credit card processor. At this point, approximately 89% of sales and

B. Background/History

use tax accounts are eligible to e-file. During FY 2007-08, the BOE will be implementing new functionality which will allow taxpayers with multiple locations or those who are mandated to pay their taxes through electronic fund transfers to e-file. Additionally, taxpayers will have the option of e-filing and making payment by check (e-filing with no-remittance or a partial remittance). Lastly, functionality will be added to pre-populate previously paid prepayment amounts on quarterly prepayment sales and use tax e-filed returns, as well as automating notices of delinquent prepayments.

C. State Level Considerations

The BOE's Strategic Plan for 2007-2011 addresses vital issues, such as maximizing voluntary compliance in BOE's programs, improving the efficiency of BOE's tax and fee programs, and creating an expanded and responsive infrastructure. Changes in technology have created challenges, opportunities and expectations that must be addressed. Greater automation offers opportunities to improve the BOE's effectiveness and efficiency in providing quality services and is consistent with the goals of the organization.

The BOE *Strategic Plan 2007-2011* issues/strategies addressed by this proposal are:

Goal 1- Maximize Voluntary Compliance in BOE's Programs

Objective 2 – Develop creative tools and marketing and outreach programs to educate California's diverse taxpayer base and provide them with the information and materials they need to comply with their legal responsibilities.

Objective 4 – Explore new cost-effective technology-based delivery methods that offer self-service options available 24/7, and provide easier, more convenient access to information.

Goal 2 – Improve the Efficiency of BOE's Tax and Fee Programs

Objective 1 – Create an environment that encourages innovative and creative ideas for changing and streamlining our business processes without diminishing the quality of our services or products.

Objective 5 – Continually assess changes in the business environment and evaluate and modify processes and services to ensure that customer expectations and needs are met or exceeded.

Objective 6 – Provide convenient, timely access to accurate information while ensuring the continued integrity of our operations and confidentiality of taxpayer information.

Goal 4 – Create an Expanded and Responsive Infrastructure

Objective 1 – Create a stable yet flexible state-of-the-art technology infrastructure using industry best practices and respond timely, effectively, and efficiently to new tax and fee programs and changes to existing programs.

Goal 5 – Foster a Skilled, Motivated, and Diverse Workforce

Objective 2 – Enhance current internal communications, improve information sharing, and use team work to promote a cohesive, unified organization.

Objective 3 – Ensure the essential information, tools, and equipment needed by employees to perform efficiently and successfully are provided on a timely basis.

D. Justification and Analysis of All Feasible Alternatives

Each alternative proposes to leverage the existing e-filing and Integrated Revenue Information System (IRIS) system by using multiple California Multiple Award Schedule (CMAS) contractors (analysts, programmers and testers), each under a separate contract, to either make the necessary modifications to support the new functionality or to backfill behind BOE technology staff who will do the actual modifications to the system.

Development of the additional e-services elements identified in this proposal would provide the following functionality:

1. Internet registration for all tax and fee programs will allow the BOE to serve the public in a more efficient manner. By taking advantage of the functionality in IRIS, Internet registration will allow tax and fee payers to enter business/personal information only one time for all permits/licenses required by the BOE.
2. E-filing for special taxes returns will provide edits based on business rules to guide the tax/fee payer to complete the return/report with all required information. Computational errors will be eliminated. Once the return/report is filed, staff will only review returns/reports with edits as set by business rules. Additionally, schedule processing functionality built into IRIS will create efficiencies and cost savings by automating the matching of seller and purchaser transactions (e.g., cigarette distributors and manufacturers). Thus, providing better and more accurate information to be used during the audit selection and process.
3. E-filing for fuel retailers and distributors will prevent most of the common taxpayer errors (with built-in edits) and will reduce the follow-up time needed to correct them. To ensure that the proper amount of prepaid sales tax has been remitted by distributors and that the proper amount of prepaid sales tax credit has been claimed by retailers, the retailer and distributor returns are reconciled and any material differences that are found are billed. Receiving the returns and schedules electronically will allow reconciliation reports to be run on a timely basis and identify potential revenue that is due to the State.
4. On-line requests for extensions, relief of penalty/interest, and declarations of timely mailing will allow tax and fee payers to select an option and enter the reporting period to be considered for relief. The review criteria for the requests will be built into the system based upon pre-determined edits that will eliminate (in most cases) the manual process that staff currently performs.
5. On-line requests for installment payment agreements (IPA) will create the ability for tax and fee payers to select an un-paid liability owed on their account and propose payment terms (e.g., payment amount, number of payments, payment frequency). As a requirement for requesting an IPA via the Internet, tax and fee payers will provide bank account information necessary for the BOE to establish electronic funds transfer payments should their IPA request be approved. Tax and fee payers ability to request an IPA via the Internet would free up collection staff to generate additional revenue to the State, and improve the overall efficiency of compliance efforts.

D. Justification and Analysis of All Feasible Alternatives (Continued)

Alternative 1 – Expand E-services using a third party software product and related consulting services to develop the proposed solution elements. The estimated cost to fund this alternative is \$4,485,000 in FY 2008-09, \$4,224,000 in FY 2009-10, \$1,926,000 in FY 2010-11 and \$1,851,000 in FY 2011-12 and ongoing.

This alternative proposes to purchase a third-party software product and related consulting services to expedite the development and deployment of the increased e-filing and e-services options included in this proposal. Using the software product, web pages will be generated in conjunction with BOE's web development strategy (every form, schedule or screen is produced individually and presented to the tax and fee payer to enter their information).

Currently, the BOE uses a web-based interface to display and capture taxpayer data which is then translated into XML (data exchange format) for storage. BOE uses several XML technology based products to store and transmit data collected from taxpayers and ERO's. The method of transferring and validating data using the software product will be XML and will allow the BOE to leverage data and processing technologies already available within the current technological architecture. The new functionality developed with the software product will seamlessly connect with BOE applications using XML and not require additional steps currently needed to translate data collected from taxpayers (software has XML conversion capabilities built in).

Exhibit B provides a detailed description of the functions and workload of the requested positions. The following table summarizes the requested positions:

Classification	FY 2008-09	FY 2009-10	FY 2010-11 and Ongoing
Executive Department:			
Technology Services Division:			
Associate Programmer Analyst	-	-	1.5
Senior Information Systems Analyst	-	1.0	1.0
Senior Programmer Analyst	-	-	2.0
Staff Information Systems Analyst	-	1.0	3.0
Staff Programmer Analyst	-	3.0	5.0
Sales and Use Tax Department:			
Business Taxes Specialist I _a/	3.0	3.0	3.0
Total Positions	3.0	8.0	15.5

_a/ 2.0 new positions and 1.0 continued position.

D. Justification and Analysis of All Feasible Alternatives (Continued)

Alternative 1 (Continued)

Pros:

- Tax or fee payer entered data will not require translation to XML before loading to the mainframe.
- Existing electronic documents can be leveraged for page creation allowing for faster development.
- Sophisticated print functionality is built-in that provides the user with various options to print input and confirmation of transaction.
- Tax and fee payers can print a copy of a completed return/schedule/form for their own records.
- Consistent with BOE's current and future vision for e-services.
- Responds to tax and fee payers, Board Members, and business program requests for additional electronic services.

Cons:

- Cost of software product, consulting services, licensing and ongoing maintenance.
- BOE staff would need to be trained to use the software product.
- Software requires integration into the BOE technology infrastructure.
- Additional hardware costs for servers.

Alternative 2 - Expand E-Services using a database driven methodology to generate the proposed solution elements. The estimated cost to fund this alternative is \$4,075,000 in FY 2008-09, \$4,083,000 in FY 2009-10, \$1,744,000 in FY 2010-11 and \$1,669,000 in FY 2011-12 and ongoing.

The web pages in the e-filing system will be generated using database tables in conjunction with BOE's current web development strategy. Initial development of the infrastructure needed to use the database component that will drive the page creation (page generation infrastructure) is significant, but adding web pages to the system will be less resource intensive. This is a more advanced method of developing web pages that will allow economies of scale in the expansion of e-services.

Pros:

- Less expertise required for development of new web pages using new infrastructure.
- Faster development of new web pages.
- Integrates into the BOE's overall technology infrastructure.

Cons:

- Page generation infrastructure development costs are high.
- Development of and maintenance to the page generation infrastructure requires advanced skill sets.
- Programming changes require a more thorough system and regression test.
- Sophisticated print functionality would have to be developed.
- Requires XML translation development.

D. Justification and Analysis of All Feasible Alternatives (Continued)

Alternative 3 - Expand E-Services using BOE's current web development method of creating a dedicated web page for each form/schedule for the proposed solution elements. The estimated cost to fund this alternative is \$4,075,000 in FY 2008-09, \$4,126,000 in FY 2009-10, \$1,744,000 in FY 2010-11 and \$1,669,000 in FY 2011-12 and ongoing.

In this alternative, every form, schedule or screen is produced individually, using the current web-based interface to display and capture tax and fee payer data. BOE uses several XML technology based products to store and transmit data collected from tax and fee payers and ERO's. The data is not captured in XML format and additional processing is required to translate data into XML for storage.

Pros:

- Requires less experienced programmers for initial development and subsequent maintenance efforts.
- Changes to individual web pages require a reduced system test effort.
- Integrates with existing BOE infrastructure.
- Edits to a single page or screen are very simple.

Cons:

- Requires additional programming resources for initial development and subsequent maintenance due to the length of time necessary to develop each web page.
- Extends timeline for development for each form/schedule.
- Changes to forms/schedules are more time consuming.
- Sophisticated print functionality would have to be developed.
- Requires XML translation development.

E. Outcomes and Accountability

This BCP is supported by a Feasibility Study Report (FSR) which provides the detail of the project roles and responsibilities and project schedule.

The BOE will use the same strategy for this project as was employed in its highly successful Revenue Database Consolidation Project. In addition, BOE proposes leveraging the existing e-filing and mainframe (IRIS) system by using multiple California Multiple Award Schedule (CMAS) contractors (analysts, programmers and testers), each under a separate contract, to either make the necessary modifications to support the new functionality or to backfill behind BOE technology staff who will do the actual modifications to the system.

In addition, the BOE adheres to the Department of Finance project management oversight and reporting framework and the Statewide Information Management Manual project management methodology and reporting. All reports including the FSR and Post Implementation Evaluation Report (PIER) are the responsibility of the Project Manager and the BOE's Chief Information Officer. Fiscal oversight is the responsibility of the BOE's Chief, Financial Management Division.

F. Timetable

Secure project funding by July 1, 2008. Detailed project schedule is outlined in the FSR.

G. Recommendation

Alternative 1 is recommended. The BOE proposes to purchase a third-party software product and related consulting services to expedite the development and deployment of the increased e-filing and e-services options included in this proposal. Using the software product, web pages will be generated in conjunction with BOE's web development strategy (every form, schedule or screen is produced individually and presented to the tax and fee payer to enter their information).

H. Fiscal Detail

See attached "Fiscal Detail" schedules.

E-Services Expansion Project
Cost Savings/Revenue Projection

Project Cost Savings

Project Phases/Elements	Estimated Cost Savings by Year					Total
	2009-10	2010-11	2011-12	2012-13	2013-14	
Return Processing Savings	\$ -	\$ 41,150	\$ 68,280	\$ 101,851	\$ 154,194	\$ 365,475
E-Registration	\$ 1,335,508	\$ 1,624,690	\$ 1,796,881	\$ 1,969,072	\$ 2,141,262	\$ 8,867,412
Cigarette Reconciliation Automation		\$ 24,395	\$ 24,395	\$ 24,395	\$ 24,395	\$ 97,580
Other E-Services a/		\$ 1,530,458	\$ 1,530,458	\$ 1,530,458	\$ 1,530,458	\$ 6,121,832
Total	\$ 1,335,508	\$ 3,220,693	\$ 3,420,014	\$ 3,625,776	\$ 3,850,309	\$ 15,452,299

a/ Includes Declaration of Timely Mailing, Requests for Extension, Requests for Relief of Penalty, Request for Relief of Interest.

Project Revenue Increases

Project Phases/Elements	Projected Revenue Increase by Year					Total
	2009-10	2010-11	2011-12	2012-13	2013-14	
Sales Tax Gas Schedule Reconciliation Recovery	\$ 1,282,230	\$ 1,282,230	\$ 1,282,230	\$ 1,282,230	\$ 1,282,230	\$ 6,411,150
Cigarette Audit		\$ 1,751,310	\$ 1,751,310	\$ 1,751,310	\$ 1,751,310	\$ 7,005,240
Installment Payment Agreements		\$ 213,830	\$ 213,830	\$ 213,830	\$ 213,830	\$ 855,320
Total	\$ 1,282,230	\$ 3,247,370	\$ 3,247,370	\$ 3,247,370	\$ 3,247,370	\$ 14,271,710
Total Direct Benefits	\$ 2,617,738	\$ 6,468,063	\$ 6,667,384	\$ 6,873,146	\$ 7,097,679	\$ 29,724,009

**E-Services Expansion Project
Cost Savings/Revenue Projection**

**EXHIBIT A
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Revenue Increase from Redirected Savings

	2009-10	2010-11	2011-12	2012-13	2013-14	Total
Estimated Savings Available for Redirect	\$ 1,335,508	\$ 3,220,693	\$ 3,420,014	\$ 3,625,776	\$ 3,850,309	\$ 15,452,300
Cost per Revenue Position b/	\$ 57,250	\$ 57,250	\$ 57,250	\$ 57,250	\$ 57,250	57,250
Number of Revenue Positions Created	23.3	56.3	59.7	63.3	67.3	67.3
Estimated Recovery per Revenue Position	\$ 231,000	\$ 231,000	\$ 231,000	\$ 231,000	\$ 231,000	\$ 231,000
Total, Redirected savings to Revenue	\$ 5,382,300	\$ 13,005,300	\$ 13,790,700	\$ 14,622,300	\$ 15,546,300	\$ 62,346,900

b/ Average Salary & Wages, including benefits, of a Business Tax Representative & Tax Auditor positions. Does not include OE&E for the revenue positions, as it assumes it will be redirected, nor any supervision or other support.

Revised Revenue if Savings are Redirected

	2009-10	2010-11	2011-12	2012-13	2013-14	Total
Total Direct Benefits	\$ 2,617,738	\$ 6,468,063	\$ 6,667,384	\$ 6,873,146	\$ 7,097,679	\$ 29,724,009
Less Redirected Savings to Revenue Positions	\$ (1,335,508)	\$ (3,220,693)	\$ (3,420,014)	\$ (3,625,776)	\$ (3,850,309)	\$ (15,452,299)
Additional Revenue Recovered	\$ 5,382,300	\$ 13,005,300	\$ 13,790,700	\$ 14,622,300	\$ 15,546,300	\$ 62,346,900
Total	\$ 6,664,530	\$ 16,252,670	\$ 17,038,070	\$ 17,869,670	\$ 18,793,670	\$ 76,618,610

**E-Services Expansion Project
Cost Savings/Revenue Projection**

**EXHIBIT A
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Project Costs and Funding

	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	Total
Proposed Project One-time Costs	\$ 5,441,581	\$ 4,160,520	\$ 91,609				\$ 9,693,710
Proposed Project On-Going Costs	\$ 448,392	\$ 1,160,996	\$ 1,851,364	\$ 1,851,364	\$ 1,851,364	\$ 1,851,364	\$ 9,014,844
Internally Redirected Costs	\$ (1,405,341)	\$ (1,097,030)	\$ (17,089)				\$(2,519,460)
Funded Costs	\$ 4,484,632	\$ 4,224,486	\$ 1,925,884	\$ 1,851,364	\$ 1,851,364	\$ 1,851,364	\$ 16,189,094

Cost to Benefit Ratio

	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	Total
Cost to Benefit Ratio							

Option #1 no Redirection of Savings to Revenue Positions

Benefits	\$ -	\$ 2,617,738	\$ 6,468,063	\$ 6,667,384	\$ 6,873,146	\$ 7,097,679	\$ 29,724,009
Cost to Benefit Ratio							1.8

Option #2 Redirection of Savings to Revenue Positions

Benefits	\$ -	\$ 6,664,530	\$ 16,252,670	\$ 17,038,070	\$ 17,869,670	\$ 18,793,670	\$ 76,618,610
Cost to Benefit Ratio							4.7

**Electronic Services (E-Services) Expansion Project
BCP – Fiscal Years (FY) 2008-09 through FY 2010-11**

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Technology Services Division (TSD)

TSD will work in coordination with BOE's tax departments to develop the computer sub-systems that will support the expanded e-services described in this BCP. New permanent staff and contractors are required because current TSD staff is fully engaged in the support and maintenance of existing information technology systems and equipment.

The positions for new permanent TSD staff will be phased in over two fiscal years. Five TSD positions are requested for FY 2009-10. An additional seven and one half positions are requested for FY 2010-11, for a total of 12.5 new ongoing positions. The requested new positions will be used to assist in the development of the new sub-systems and provide ongoing support and maintenance for these sub-systems after completion of the project. This approach will reduce the number of redirected current staff and will provide hands-on sub-system training to the new staff.

Providing adequate resources for support and maintenance of IT systems is crucial for effective and efficient tax administration. Industry studies have found that all IT systems require some level of support and maintenance and the level of required maintenance tends to increase as a system ages. In addition, the studies indicate that annual maintenance costs range from 15%-25% of the original system cost.¹ The requested positions represent approximately 20% of the total project development cost.

Hours for ongoing activities were determined by using history from similar projects, documented in the existing time reporting system.

FY 2009-10 – 5.0 New Positions

Application Development Branch: 3.0 New Positions

3.0 Staff Programmer Analysts – Tax Systems/Application Development (TSD Support Staff)

These positions will help with the development and implementation of midtier functions and the revenue subsystems. Midtier technology enables staff and taxpayers to access the appropriate mainframe data or functions supporting e-services from a desktop or laptop computer. The revenue subsystem is a key component for the electronic filing of tax returns and the generation of reports. These positions will begin on July 1, 2009. The table below provides the estimated workload for these positions.

Workload Detail					
Classification	Activity	Time Measure		Ongoing Activities	
		H = Hours	Avg. Time Per Occurrence	Occurrences per Year	Total Hours
IT Support Services (SPA)	Analyze, Design and Code	H	15	144	2,160
	Troubleshoot Production Problems	H	12	135	1,620
	Training, Mentoring	H	15	36	540
	Develop Specifications	H	18	30	540
	Other	H	10	54	540
	Total SPA Hours				
Total SPA Positions Requested (1,800 Hours Per Position)					3.0

¹ Source: "The Economics of Software Maintenance in the Twenty First Century," by Capers Jones.

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Customer Support Branch: 2 New Positions**1.0 Senior Information Systems Analyst (TSD Support Staff)**

TSD Support Staff will require one (1) Senior Information Systems Analyst position (Senior ISA). This position will allow BOE to adequately and more efficiently develop and maintain e-services projects. This position will also be used to develop policies and procedures for e-services and for processing of the most complex enterprise service requests (ESR's), which are requests for necessary changes to our current system. The analyst will resolve the most complex requested enhancements of current functionality and support for ongoing maintenance and knowledge transfer. The Senior ISA will act as a lead for Staff Information Systems Analysts. This position will begin on July 1, 2009. The table on the next page provides the estimated workload for this position.

Workload Detail					
Classification	Time Measure Activity	Time Measure		Ongoing Activities	
		H = Hours	Avg. Time Per Occurrence	Occurrences per Year	Total Hours
IT Support Services (Sr. ISA)	Oversight and review of complex projects	H	105	6	630
	Project Lead	H	75	6	450
	Project Documentation Standards	H	30	12	360
	Legislative Review	H	15	12	180
	Procurement Oversight	H	90	2	180
	Total Sr. ISA Hours				
Total Sr. ISA Positions Requested (1,800 Hours per Position)					1.0

1.0 Staff Information Systems Analyst - E-Service Project Maintenance (TSD Support Staff)

TSD Support Staff will require one (1) Staff Information Systems Analyst (SISA) position. The SISA position is needed for BOE to adequately and more efficiently develop and maintain e-services projects. This position will also be used to develop policies and procedures for e-services and for processing of enterprise service requests (ESR's), which are requests for necessary changes to our current system. The analyst will resolve complex requested enhancements to current functionality and support ongoing maintenance and knowledge transfer. This position will begin on July 1, 2009. The table on the next page provides the estimated workload for this position.

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Workload Detail					
Classification	Activity	Time Measure		Ongoing Activities	
		H = Hours	Avg. Time Per Occurrence	Occurrences per Year	Total Hours
IT Support Services (SISA)	Review and Analysis of ongoing and proposed projects	H	110	9	990
	Maintain Project Documentation	H	30	12	360
	Legislative Review	H	30	6	180
	Technology Procurement Oversight	H	30	6	180
	Research and Planning	H	10	9	90
	Total SISA Hours				1,800
	Total SISA Positions Requested (1,800 Hours per Position)				1.0

FY 2010-11 – 7.5 New Positions

Application Development Branch: 5.5 New Positions

1.0 Senior Programmer Analyst – Database Administration (TSD Support Staff)

This position will provide full time technical leadership and oversight of the e-services databases. In particular, the position will

- Monitor the expansion and tuning of database components supporting e-services.
- Provide technical expertise for the various software products supporting e-services.
- Act as lead for approximately 25 TSD staff who develop, support and maintain e-services subsystems.

This position will begin on July 1, 2010. The table below provides the estimated workload for this position.

Workload Detail					
Classification	Activity	Time Measure		Ongoing Activities	
		H = Hours	Avg. Time Per Occurrence	Occurrences per Year	Total Hours
IT Support Services (SrPA)	Database Administration	H	7.2	100	720
	Application Technical Support	H	2.7	200	540
	Lead Functions	H	1.5	300	450
	Other	H	1	90	90
	Total SrPA Hours				1,800
	Total SrPA Positions Requested (1,800 Hours Per Position)				1.0

1.0 Staff Programmer Analyst – Database Administration (TSD Support Staff)

This position will provide technical support for two core software components that support e-services: EntireX and Tamino. EntireX enables communications between software applications on different platforms. For example, it enables a desktop user to access mainframe information. Tamino is a database program that supports critical e-services functions including e-filing, electronic payments, and XML document formats. The expansion of e-services proposed by this BCP will result in a significant increase in the oversight and technical expertise functions needed to develop, support, and maintain EntireX and Tamino components. This position will begin on July 1, 2010. The table below provides the estimated workload for this position.

Workload Detail					
Classification	Time Measure Activity	Time Measure		Ongoing Activities	
		H = Hours	Avg. Time Per Occurrence	Occurrences per Year	Total Hours
IT Support Services (SPA)	Database Administration	H	8.1	100	810
	Application Technical Support	H	3.5	180	630
	Lead Functions	H	1.5	180	270
	Other	H	1	90	90
	Total SPA Hours				1,800
Total SPA Positions Requested (1800 Hours Per Position)					1.0

1.0 Senior Programmer Analyst – Tax Systems/Application Development (TSD Support Staff)

This position will help with the development and implementation of midtier functions and act as a liaison between the midtier and mainframe subsystems. Midtier technology enables staff and taxpayers to access the appropriate mainframe data or functions supporting e-services from a desktop or laptop computer. This position will resolve the most complex programming issues as well as analyzing communication issues between the mainframe and midtier platforms. This position is key to ensuring that the mainframe systems and midtier systems stay in sync and work seamlessly so the BOE's customer facing systems work as intended. This position will begin on July 1, 2010. This position will begin on July 1, 2010. The table below provides the estimated workload for this position.

Workload Detail					
Classification	Time Measure Activity	Time Measure		Ongoing Activities	
		H = Hours	Avg. Time Per Occurrence	Occurrences per Year	Total Hours
IT Support Services (SPA)	Analyze, Design and Code	H	15.5	60	930
	Troubleshoot Production Problems	H	6	55	330
	Training, Mentoring	H	7.5	24	180
	Develop Specifications	H	5	36	180
	Other	H	4	45	180
	Total SPA Hours				1,800
Total SPA Positions Requested (1,800 Hours Per Position)					1.0

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1.0 Staff Programmer Analyst – Tax Systems/Application Development (TSD Support Staff)

These positions will help with the development and implementation of midtier functions and the revenue and registration subsystems. Midtier technology enables staff and taxpayers to access the appropriate mainframe data or functions supporting e-services from a desktop or laptop computer. The revenue subsystem is a key component for the electronic filing of tax returns and the generation of reports. The registration subsystem is the key component for registering tax and fee payers for permits required by the Sales and Use Taxes and Property and Special Taxes departments. These positions will begin on July 1, 2010. The table below provides the estimated workload for this position.

Workload Detail					
Classification	Activity	Time Measure		Ongoing Activities	
		H = Hours	Avg. Time Per Occurrence	Occurrences per Year	Total Hours
IT Support Services (SPA)	Analyze, Design and Code	H	20	47	940
	Troubleshoot Production Problems	H	16	20	320
	Training, Mentoring	H	15	12	180
	Develop Specifications	H	18	10	180
	Other	H	10	18	180
	Total SPA Hours				1,800
	Total SPA Positions Requested (1,800 Hours Per Position)				1.0

1.5 Associate Programmer Analyst

These positions will support maintenance programming related to Sales and Use Tax, Special Tax, and tax area codes for new businesses. These functions are critical for the development, support and maintenance of the proposed e-registration functions. These positions will begin on July 1, 2010. The table below provides the estimated workload for this position.

Workload Detail					
Classification	Activity	Time Measure		Ongoing Activities	
		H = Hours	Avg. Time Per Occurrence	Occurrences per Year	Total Hours
IT Support Services (APA)	Analyze, Design and Code	H	30	36	1,080
	Troubleshoot Production Problems	H	20	40	800
	Training, Mentoring	H	22.5	12	270
	Develop Specifications	H	27	10	270
	Other	H	10	28	280
	Total APA Hours				2,700
	Total APA Positions Requested (1,800 Hours Per Position)				1.5

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Customer Support Branch: 2 New Positions**2.0 Staff Information Systems Analyst – Project Development (TSD Support Staff)**

TSD Support Staff will require two (2) SISA's to adequately and efficiently support and develop e-services projects. One SISA position is needed to manage e-services testing and implementation efforts and the other to administer user security procedures and policies for BOE's Integrated Revenue Information System. These positions will support planned e-services efforts and provide a more secure computing environment. Staff will meet with customers and prepare test and security documentation and assist with maintenance and/or enhancements needed to support e-services.

Currently approximately 20% of existing requests for functionality modifications for e-services involve production maintenance. After implementation, the analysts will support ongoing maintenance and knowledge transfer.

In addition to providing direct support services, the SISAs will act as a lead for AISAs. These positions will begin on July 1, 2010. The table below provides the estimated workload for these positions.

Workload Detail					
Classification	Activity	Time Measure		Ongoing Activities	
		H = Hours	Avg. Time Per Occurrence	Occurrences per Year	Total Hours
IT Support Services (SISA)	Project Analysis, Coordination, and Project Resolution	H	97.5	24	2,340
	Support and Document System User and Acceptance Testing	H	40	18	720
	User Security Administration & Software Program Changes	H	6	60	360
	Support/Coordinate New System Training	H	6	30	180
	Total SISA Hours				3,600
	Total SISA Positions Requested (1,800 Hours per Position)				2.0

Sales and Use Tax Department (SUTD)

The Board of Equalization (BOE) E-Services Team (BEST) is responsible for the day to day business activities related to the BOE E-Filing and E-Services systems. The team will work in coordination with TSD (Technology Services Division) to develop and support the expanded E-filing and E-Services functionality described in this BCP.

The positions for two new permanent staff and the continuation of one limited term position are requested for FY 2008-09 and ongoing. The requested new positions and the continuation of a limited term position will be used to both assist in the development of the new e-filing and e-services functionality and the support and maintenance of the current e-filing system. This approach will reduce the number of redirected current staff.

Since the implementation of e-filing in 2001, participation has slowly increased with significant increases since the addition of BOE's free e-file option in 2005. Approximately 2.5% of the eligible tax returns and forms are currently e-filed. This rate of participation is consistent with other states' findings as reported in a May 2004 Federation of Tax Administrators (FTA) survey.

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An important issue noted from the survey was that States indicated that extensive outreach and customer support are necessary. In an effort to increase participation, the BOE implemented several pilot projects to explore ways to increase participation:

- 1) **Combined Registration Process (Seller's Permit and E-Client)** - Under this pilot project, West Covina district office staff are registering taxpayers as e-clients (to e-file) at the same time they register for a seller's permit. The results of the pilot in the West Covina district office showed that 13% were registered to e-file in the first month, May 2007, and 15% in the second month, June 2007. A second office, Oakland, was selected to participate in the pilot in July 2007. Results are pending. This combined registration process is scheduled to be implemented statewide in September/October 2007, and should elevate participation levels.
- 2) **Discontinue Sending Paper Tax Returns** - In this pilot project, known as 'Toss The Paper', BOE discontinued sending paper returns to certain taxpayer groups to determine the readiness and willingness of taxpayers to e-file and discontinue receipt of a paper return. The BOE is encouraged by the 27% participation rate from this initial pilot group which indicates that the goal of achieving an overall 25% e-filing participation rate is achievable. Further results are pending.

In order to achieve projected cost savings and the projected potential revenue through redirection of cost savings to revenue generating activities, the positions requested are necessary to further the efforts as BOE moves towards achieving a greater participation rate. Hours for ongoing activities were determined by using history from similar projects, documented in the existing time reporting system.

FY 2008-09 - Tax Policy Division - 2 New Positions and 1 Continued Position**1.0 Business Taxes Specialist I - Electronic Services Team, 1 New Position
E-Services Trainer/Event Speaker**

E-Services will require one (1) Business Taxes Specialist I position (E-Services Trainer/Event Speaker). This position will allow BOE to increase awareness and participation in e-services. The position will develop, conduct and maintain training classes and refresher classes for BOE staff. The position will also be used to develop speaking materials and to make presentations at various BOE sponsored and non-BOE sponsored events. The position will also develop and lead focus groups with tax and fee payers and tax professionals and articulate the findings of these groups regarding potential e-services enhancements, to the E-Services Team. This position will begin on July 1, 2008. The table below provides the estimated workload for this position.

Workload Detail					
Classification	Activity	Time Measure		Ongoing Activities	
		H = Hours	Time Per Occurrence	Occurrences Per Year	Total Hours
Business Taxes Specialist I	Development and maintenance of Training Materials	H	80	4	320
	Conducting Training Classes	H	16	20	320
	Development and maintenance of Speaking Materials	H	40	7	280
	Speaking Engagements	H	8	30	240
	Taxpayer Focus Groups	H	32	10	320
	Tax Professional Focus Groups	H	32	10	320
	Total BTS I Hours				1,800
	Total BTS I Positions Requested (1,800 Hours per Position)				1.0

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1.0 Business Taxes Specialist I, Electronic Services Team, 1.0 New Position E-Services Outreach

E-Services will require one (1) Business Taxes Specialist I position (E-Services Outreach Specialist). The function is significant since the BOE will have to constantly provide outreach and education regarding E-filing and E-services to a new group of taxpayers on an ongoing basis. Typically, there is a 20%-25% turnover of sales and use taxpayers every year. The position will allow BOE to increase e-filing participation of tax and fee payers by efficiently developing, evaluating and maintaining an effective marketing strategy. The position will achieve this through the development, production and distribution of printed marketing materials; i.e. flyers, posters, print ads, articles, etc. The position will develop and maintain an e-services presence on the BOE Intranet and the Internet to promote participation in e-filing and e-services. The position will also coordinate the E-Services Contact program with field office representatives. This position will begin on July 1, 2008. The table below provides the estimated workload for this position.

Workload Detail					
Classification	Time Measure Activity	Time Measure		Ongoing Activities	
		H = Hours	Time Per Occurrence	Occurrences Per Year	Total Hours
Business Taxes Specialist I	Researching and writing e-services related articles	H	24	10	240
	Development of e-BOE e-services section	H	24	4	96
	Development of BOE website E-services information	H	24	4	96
	Development of advertising print material	H	32	12	384
	Update / Develop Publications	H	48	8	384
	Coordinate E-Services contacts in field offices	H	12	50	600
	Total BTS I Hours				1,800
	Total BTS I Positions Requested (1,800 Hours per Position)				1.0

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1.0 Business Taxes Specialist I, Electronic Services Team 1.0 Continued Position E-Services Project Team Member

Continuance of the position is necessary to support the BOE E-Services Team in its ongoing efforts and reduce the number of redirected staff. The continuation of a limited term position will be used to both assist in the development of the new e-filing and e-services functionality and the support and maintenance of the current e-filing system. Specifically, the position will continue to perform project implementation tasks, (e.g., identify business needs, develop business requirements, enhance current functionality, coordinate legislative and policy changes, etc.). This position will continue on July 1, 2008. The table below provides the estimated workload for this position.

Workload Detail					
Classification	Time Measure Activity	Time Measure		Ongoing Activities	
		H = Hours	Time Per Occurrence	Occurrences Per Year	Total Hours
Business Taxes Specialist I	Business Screen Design	H	32	12	384
	Tickets/Enhancements	H	24	15	360
	Policy Changes	H	40	4	160
	Legislative Changes	H	160	2	320
	Tax Rate Changes	H	40	4	160
	Business Team Leader	H	8	52	416
	Total BTS I Hours				1,800
Total BTS I Positions Requested (1,800 Hours per Position)					1.0

DATE: August 15, 2007

STATE OF CALIFORNIA
 BUDGET CHANGE PROPOSAL--FISCAL DETAIL
 STATE OPERATIONS
 FISCAL YEAR 2008-09
 (Dollars in Thousands)

Title of Proposed Change: ELECTRONIC SERVICES EXPANSION

Program/Element/Component: 30 Sales and Use Tax/Special Taxes/All Elements

	PERSONNEL YEARS			CY	BY	BY + 1
	CY	BY	BY + 1			
TOTAL SALARIES AND WAGES <i>_a/</i>		3.0	8.0		\$215	\$562
Salary Savings		-.2	-.4		-11	-28
NET TOTAL SALARIES AND WAGES		2.8	7.6		204	534
Staff Benefits <i>_a/</i>					75	197
NET TOTAL SALARIES AND WAGES		2.8	7.6		279	731
Distributed Administration						
TOTAL PERSONAL SERVICES		2.8	7.6		\$279	\$731

OPERATING EXPENSE AND EQUIPMENT

General Expense						
Distributed Administration						
Printing						
Communications					2	5
Postage						
Travel--In-State						
Travel--Out-of -State						
Training						
Facilities Operations					9	25
Consulting & Professional Services: Interdepartmental						
Consulting & Professional Services: External					3,544	3,038
Department of Technology Services					86	260
Data Processing					560	165
Equipment (Hardware)					5	
Other Items of Expense: (Specify Below)						

_a/ See page 24 of 25 for itemized staff benefits and classification detail.

	<u>CY</u>	<u>BY</u>	<u>BY + 1</u>
TOTAL OPERATING EXPENSE AND EQUIPMENT		\$4,206	\$3,493
TOTAL EXPENDITURES (State Operations)		\$4,485	\$4,224

Source of Funds

General Fund	(0001)	\$1,668	\$1,571
Special Funds:			
Breast Cancer Fund	(0004)	23	22
State Emergency Telephone	(0022)	3	3
Propane Surcharge Fund	(0051)		
Motor Vehicle Fuel Account	(0061)	105	98
Occupational Lead Prevention Fund	(0070)	3	3
Childhood Lead Poisoning Prev. Fund	(0080)	2	2
Cig. and Tobacco Prod. Surtax Fund	(0230)	325	306
Oil Spill Prevention and Admin. Fund	(0320)	1	1
Integrated Waste Management	(0387)	2	2
Underground Storage Tank Fund	(0439)	290	272
Energy Resources Programs Account	(0465)	1	1
CA. Children and Families First Trust Fund	(0623)	639	601
Federal Trust Fund	(0890)		
Timber Tax Fund	(0965)	11	11
Gas Consumption Surcharge Fund	(3015)	2	2
Water Rights Fund	(3058)	2	2
Elec. Waste Recovery and Recycling Acct.	(3065)	297	280
Cig. and Tobacco Prod. Compliance Fund	(3067)		
Federal Funds			
Other Funds			
Reimbursements	(0995)	\$1,111	\$1,047
Net Total Augmentation (Source of Funds)		\$4,485	\$4,224

**DETAIL OF STAFF BENEFITS
AND PERSONAL SERVICES**

Staff Benefits Detail:	<u>CY</u>	<u>BY</u>	<u>BY + 1</u>
	<i>(Whole Dollars)</i>		
OASDI		\$15,606	\$40,851
Health Insurance		24,253	63,486
Retirement		34,674	90,764
Workers' Compensation		83	218
Industrial Disability Leave		146	382
Non-Industrial Disability Leave		105	276
Unemployment Insurance		31	82
Other		538	1,408
TOTAL		<u>\$75,436</u>	<u>\$197,467</u>

<u>Classification</u>	<u>Positions</u>			<u>Salary Range</u> <small>_a/</small>	<u>Amount</u>		
	<u>CY</u>	<u>BY</u>	<u>BY + 1</u>		<u>CY</u>	<u>BY</u>	<u>BY + 1</u>
Executive Department:							
Technology Services Division:							
Associate Programmer Analyst (Spec.) <small>_b/</small>				\$62,052			
Senior Info. Systems Analyst (Spec.) <small>_c/</small>			1.0	74,856			74,856
Senior Programmer Analyst (Spec.) <small>_d</small>				74,856			
Staff Info. Systems Analyst (Spec.) <small>_e/</small>			1.0	68,040			68,040
Staff Programmer Analyst (Spec.) <small>_f/</small>			3.0	68,040			204,120
Sales and Use Tax Department:							
Business Taxes Specialist I <small>_g/</small>		3.0	3.0	71,590		214,770	214,770
TOTAL SALARIES AND WAGES		<u>3.0</u>	<u>8.0</u>			<u>\$214,770</u>	<u>\$561,786</u>

_a/ The salary is the mid-step of the salary range for the stated classification.
 _b/ 1.5 permanent position effective July 1, 2010.
 _c/ 1.0 permanent position effective July, 2009.
 _d/ 2.0 permanent positions effective July, 2010.
 _e/ 1.0 permanent position effective July, 2009 and an additional 2.0 permanent positions effective July 1, 2010.
 _f/ 3.0 permanent positions effective July, 2009 and an additional 2.0 permanent positions effective July 1, 2010.
 _g/ 3.0 permanent positions effective July, 2008.

SUPPLEMENTAL INFORMATION
 Dollars in Thousands

	<u>Current Year</u>	<u>Budget Year</u>	<u>Budget Year + One</u>
Proposed Equipment:			
Hardware		\$5	
Total		<u>\$5</u>	
Proposed Contracts:			
Consulting & Professional Services: External		\$3,544	\$3,038
Total		<u>\$3,544</u>	<u>\$3,038</u>
One-Time Costs:			
Consulting & Professional Services - External		\$506	\$2,963
Department of Technology Services			25
Data Processing		395	
Equipment (Hardware)		5	
Total		<u>\$906</u>	<u>\$2,988</u>
Future Savings:			
N/A			
Total			
Full-Year Cost Adjustments:			
N/A			
Total			