

# Memorandum

To: Mr. Ramon J. Hirsig  
Executive Director

Date: August 31, 2007

From:   
David J. Gau, Interim Deputy Director  
Administration Department

Subject: ***Fiscal Year 2007-08 Board of Equalization Budget -- Update on Signed Budget***

This memorandum is an update on the Board of Equalization (BOE) Fiscal Year 2007-08 signed Budget. In enacting the 2007 Budget Act, the Legislature and the Administration have sent a clear message of support of our efforts to address the General Fund shortfall and fulfill various legislative mandates by funding the BOE Budget Change Proposals (BCPs).

The Budget includes an augmentation of \$9,371,000 and 85.5 positions (54.2 new and 31.3 continuing) resulting in a total operating budget of \$391 million and authority for 3800.5 personnel years. The most significant adjustment to the budget is the approval of all 14 of the BOE's BCPs included in the Governor's Budget. The BCPs address three major areas:

- **Addressing the General Fund Tax Gap** The Consumer Use Tax Section Revenue Enhancement and U.S. Customs Program Augmentation BCPs allow the BOE to effectively deal with the current tax gap as well as prepare for developments that could lead to future problems with tax evasion.
- **Fulfilling Legislative Mandates** The excise tax and various legislative BCPs request the continuation of, and where necessary, new resources for the BOE to fulfill some of its main legislative mandates.
- **Obtaining Federal Funds to support California's Infrastructure** The fuel tax related BCPs request resources mainly to obtain federal funding for in-state infrastructure.

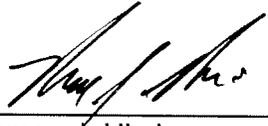
The Budget Act also includes:

- The Governor's veto of \$400,000 which was added by the Conference Committee. This amount was to fund a county assessor pilot program designed to promote taxpayer awareness of the requirement to pay use tax on non-exempt purchases.
- An unallocated reduction of \$72 million in the State General Fund appropriation for employee compensation. While the reduction will not affect employee pay or benefits, staff is awaiting release of a Department of Finance Budget Letter for clarification on how this reduction will be carried out.

With your approval, this item will be placed on the on the September 12, 2007 Administrative Agenda Calendar under Deputy Director's Report, Administration.

cc: Mr. Gary Evans  
Ms. Caroline Cabias

Approved:

  
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Ramon J. Hirsig  
Executive Director