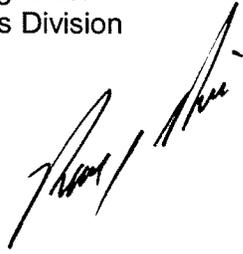


Memorandum

To : Gary Evans, Acting Chief
Board Proceedings Division

Date: August 31, 2007

From : Ramon J. Hirsig
Executive Director



Subject: **September 11-12, 2007 Sales and Use Tax Deputy Director's Agenda Item**

Please include the following item on the September 11-12, 2007 Board Agenda, under the Sales and Use Tax Deputy Director's Report item:

- **Fiscal Year 2008-09 Budget Change Proposal - Statewide Compliance and Outreach Program (SCOP)**

This item shall be placed in lieu of the BLIP BCP placeholder under Agenda item P 3. a.1.

If you have any questions regarding this request, please contact me at 916-327-4975, or Ms. Randie Henry, Deputy Director of Sales and Use Tax at 916-445-1441.

RJH:CC:al

Attachments

cc: Ms. Randie Henry
Mr. David Gau
Ms. Caroline Cabias
Mr. Steven Mercer
Ms. Meg Svoboda
Ms. Robbie Ramirez

Statewide Compliance and Outreach Program

Purpose:

The Board of Equalization (BOE) requests continued and new funding to establish a three-year limited-term Statewide Compliance and Outreach Program. This proposal addresses the existing \$2.0 billion tax gap by identifying and registering entities that actively engage in business in California and sell tangible personal property without a seller's permit and educating business owners about their responsibilities and reporting requirements.

Justification:

- Increases sales tax revenue by an estimated \$60.2 million during FY 2008-09 and an estimated \$81.1 million for each of the two subsequent fiscal years.
- Provides an estimated benefit-to-cost ratio of 6.0 to 1 during FY 2009-10 and 6.1 to 1 during FY 2010-11 of this statewide program.
- Encourage greater voluntary compliance in the sales and use tax program, as well as other BOE programs requiring permits and/or licenses through focused taxpayer education and awareness.
- Benefit existing businesses by ensuring that all businesses who sell tangible personal property file sales tax returns and pay sales and use taxes due under the existing laws.
- Enhance data sharing and communication among Board programs and facilitate a single point of contact for taxpayers.
- Coordinate with city and local governments, Employment Development Department (EDD), Franchise Tax Board (FTB), and other agencies to share information.
- Create public awareness of the consequences of tax evasion and improve voluntary compliance through an increase in locations selling tangible personal property in California with a valid seller's permit.
- Issue criminal citations to business owners that continue to operate their businesses without a valid seller's permit despite repeated attempts to bring them into voluntary compliance.
- Increase BOE data integrity through registration updates obtained from permit/license checks.
- Conforms to the goals set forth in the BOE Strategic Plan 2007-2011.

		FY 2008-09	FY 2009-10	FY 2010-11
Revenue	Total	\$60,219,066	\$81,156,922	\$81,156,922
Expenditures	Total	\$11,292,000	\$13,462,000	\$13,332,000
	Continuation	3,129,000	3,129,000	3,129,000
	New	8,163,000	10,333,000	10,203,000
Benefit/Costs		5.3:1	6.0:1	6.1:1
Funding Source	General Fund	\$7,340,000	\$8,750,000	\$8,666,000
	Reimbursements	3,952,000	4,712,000	4,666,000
Positions	Total	112.0	148.0	148.0
	Continuation	32.8	32.8	32.8
	New	79.2	115.2	115.2

Background

- FY 2006-07 BCP No. 2e, "Retail Licensing Enforcement", the BOE was authorized to establish 32.8 positions on a limited-term basis to pilot two business license inspection teams, one team in the San Francisco area and one team in the Los Angeles area.
- The pilot program has identified a non-compliance rate of approximately 3.9%.

- BOE records indicate that 45% of the businesses without seller's permits have voluntarily obtained seller's permits as a result of the initial pilot program.
- Compliance rose from an initial 25%, after the first field call, to 45% after a subsequent visit by Investigations Division investigators. To date, investigators are still in the process of conducting subsequent visits to non-compliant business owners. It is anticipated that increased compliance will be obtained as the program matures and the BOE compliance and enforcement efforts become more widely known by the retailing public.

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

TITLE OF PROPOSED CHANGE:

STATEWIDE COMPLIANCE AND OUTREACH PROGRAM

SUMMARY OF PROPOSED CHANGES:

This proposal addresses the existing tax gap by identifying and registering entities that actively engage in business in California and sell tangible personal property without a seller's permit. Denial of this proposal will result in continued revenue loss for the state and will allow the tax gap to increase by indirectly promoting additional growth of the underground economy and criminal activity. It is anticipated that this proposal will increase revenue by \$60.2 million during FY 2008-09 with a benefit-to-cost ratio of 5.3 to 1. Once fully implemented, the BOE anticipates this proposal to increase revenue by an estimated \$81.1 million in each subsequent fiscal year, FY 2009-10 and FY 2010-11, of this statewide program. Therefore, the estimated benefit-to-cost ratio of this proposal is 6.1 to 1.

This proposal requests 112.0 three-year limited-term positions and \$11,292,000 (\$7,340,000 General Fund and \$3,952,000 Reimbursements) in FY 2008-09, 148.0 limited-term positions and \$13,462,000 (\$8,750,000 General Fund and \$4,712,000 Reimbursements) in FY 2009-10, and 148.0 limited term positions and \$13,332,000 (\$8,666,000 General Fund and \$4,666,000 Reimbursements) in FY 2010-11 to implement a three-year Statewide Compliance and Outreach Program. This includes 32.8 continuation positions and 115.2 new positions.

State Board of Equalization
Sales and Use Tax Program
STATEWIDE COMPLIANCE AND OUTREACH PROGRAM
Fiscal Year 2008-09

A. Nature of Request

A tax gap exists between sales and use tax revenue due under existing laws and the actual amount that is reported and paid. This proposal requests additional resources to address a component of this tax gap by identifying and registering entities who are actively engaged in business in California and selling tangible personal property without a seller's permit. The Board of Equalization (BOE) will also focus efforts to enforce existing laws by identifying industries that have a history of non-compliance issues. Through an enhanced outreach component, this program will also educate business owners of their registration, reporting, and tax payment requirements under existing laws. The BOE requests 148.0 limited-term positions and related resources to fully implement this three-year program as follows:

- Continuation of 32.8 limited-term positions established in Fiscal Year (FY) 2006-07 Budget Change Proposal (BCP) No. 2e, "Retail Licensing Enforcement" for an additional three-year limited-term.
- Establishment of 79.2 new three-year limited-term positions in FY 2008-09.
- Establishment of 36.0 new two-year limited-term positions in FY 2009-10.
- The estimated cost for a three-year Statewide Compliance and Outreach Program (SCOP) program is \$11,292,000 in FY 2008-09, \$13,462,000 in FY 2009-10, and \$13,332,000 in FY 2010-11.

Funding SCOP will also allow the BOE to capitalize on the successes found during the Business Licenses Inspection Program (BLIP) pilot as well as modifying the scope of that pilot to provide resources to fully integrate efforts with the current district office functions. This will provide a more unified and streamlined approach to serve the needs of our tax and fee payers. SCOP will provide the resources to better educate the public about the legal requirements of obtaining a permit, provide information regarding the reporting and payment of taxes, follow up with businesses registered with this program to ensure ongoing compliance, reduce the number of businesses operating with revoked seller's permits, and enhance the awareness of the consequences of tax evasion. Funding will also allow the BOE to dedicate resources to identify problem industries to focus education, outreach and compliance efforts. This program will recover lost tax revenue and will benefit California's honest businesses by providing an opportunity to compete on a level playing field. Many businesses that comply with the law and pay their taxes are being competitively undercut by the underground economy.

The BOE estimates that businesses selling tangible personal property without a seller's permit cost California over \$344 million annually in lost sales taxes (see Exhibit II, page 30). The requested positions will conduct sales and use tax seller's permit and other license checks throughout California. Implementation of this statewide program will accomplish the following:

- Increase sales tax revenue by an estimated \$60.2 million during FY 2008-09 with a benefit-to-cost ratio in this first year of 5.3 to 1.

A. Nature of Request (Continued)

- Increase sales tax revenue by an estimated \$81.1 million for each subsequent fiscal year, with a benefit-to-cost ratio of 6.0 to 1 in FY 2009-10 and 6.1 to 1 in FY 2010-11.
- Encourage greater voluntary compliance in the sales and use tax program, as well as other BOE programs requiring permits and/or licenses through focused taxpayer education and awareness.
- Benefit existing businesses by ensuring that all businesses that sell tangible personal property file sales tax returns and pay sales and use taxes due under the existing laws.
- Enhance data sharing and communication among BOE programs and facilitate a single point of contact for taxpayers.
- Coordinate with city and local governments, Employment Development Department (EDD), Franchise Tax Board (FTB), and other agencies to share information.
- Create public awareness, through education and outreach, of the consequences of tax evasion and improve voluntary compliance through an increase in businesses selling tangible personal property in California with a valid seller's permit.
- Issue criminal citations to business owners that continue to operate their businesses without a valid seller's permit despite repeated attempts to bring them into voluntary compliance.
- Increase BOE data integrity through registration updates obtained from permit/license checks.

Approval of this proposal will allow the BOE's Sales and Use Tax Department (SUTD) and Investigations Division (ID) to proactively address this segment of the growing tax gap. In addition, this proposal will generate new state revenue without increasing taxes, enhance overall voluntary tax compliance and level the playing field for businesses with valid seller's permits. Denial of this proposal will result in continued revenue loss for the state and will allow the tax gap to increase by indirectly promoting additional growth of the underground economy and criminal activity.

B. Background/History

Under FY 2006-07 BCP No. 2e, "Retail Licensing Enforcement", the BOE was authorized to establish 32.8 positions on a limited-term basis to pilot two business license inspection teams. One team was established in the San Francisco Bay Area and one in the Los Angeles Metropolitan Area, to identify the impact of underground economic activity (tax gap) related to businesses operating without a seller's permit and their failure to report taxes due. To date, business license inspections have identified a non-compliance rate of approximately 3.9% (Exhibit V, page 35), representing 89 business types identified on the North American Industry Classification System (NAICS). Using a more conservative 3.0% non-compliance rate, the potential annual number of unpermitted business operations in California is estimated to be 33,044 (Exhibit II, page 30). A lower percentage is being used

B. Background/History (Continued)

in lieu of the 3.9% identified by the pilot program since that program was limited to a sample of two major metropolitan areas. The percentage of unregistered businesses may be less in other areas of the state. This 33,044 estimate of businesses selling tangible personal property in California without a valid seller's permit is calculated by extrapolating 3.0% of the total number of current permits (1,068,435, per the 2004-2005 BOE Annual Report). Using an estimated annual sales tax recovery of \$10,420 per new registration (Exhibit III, page 33), results in a potential of over \$344 million in lost annual sales tax revenue, or potential future revenues.

Through May 2007, the BOE ID inspectors have conducted 44,474 inspections of businesses located in the San Francisco Bay Area and the Los Angeles Metropolitan Area. These inspections have resulted in identifying 1,714 1,715 businesses operating without a valid seller's permit, 8,366 taxpayer information registration updates, and 72 audit referrals sent to district offices. The average percentage of businesses operating without a permit is 3.9%.

BOE records indicate that 45% of the businesses without seller's permits have voluntarily obtained seller's permits. Compliance rose from an initial 25%, after the first field call, to 45% after a subsequent visit by ID investigators, limited peace officers, explaining to the non-compliant business owners the legal consequences of not registering with BOE. To date, investigators are still in the process of conducting subsequent visits to non-compliant business owners. It is anticipated that the compliance rate will significantly increase as the program matures and the BOE's compliance and enforcement efforts become more widely known by the retailing public.

In addition to identifying businesses making sales of tangible personal property without holding a valid seller's permit, ID provided the cities of San Francisco, Norwalk and Los Angeles with referrals concerning businesses operating within their jurisdictions without a city business license. This experience demonstrates an opportunity for BOE to collaborate with local municipalities when data sharing enables mutual efficiencies and revenue benefits. Collaboration between the BOE and other state departments, such as Department of Motor Vehicles (DMV), EDD, and FTB, has identified potential revenue opportunities for these departments and the BOE.

By performing permit/license checks, the number of businesses without valid seller's permits will decline, voluntary compliance will increase and this segment of the tax gap will decline. This proposal is focused primarily on identifying businesses without valid seller's permits that are conducting transactions subject to sales or use tax. Additionally, this program will provide industry specific education through of a variety of media outreach and partnerships with industry associations, local governments, and other governmental agencies.

These efforts will enforce existing laws, increase the state's revenue stream without increasing taxes, and will ensure that all businesses are properly registered. The BOE will require additional revenue and revenue support resources, a majority of which will be located in the field offices, as current BOE staff cannot absorb this workload without negatively impacting current revenue generating activities.

C. State Level Considerations

This proposal addresses the Legislature's intent to reduce the \$2.0 billion tax gap and is consistent with the BOE's strategic plan. Specifically, this proposal conforms to four of the five BOE Strategic Plan Goals:

Maximize Voluntary Compliance in BOE's Programs

Through enhanced staffing in media relations and outreach, as well as an increased field presence, this BCP proposes to 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. Additionally, this program provides an opportunity to gather information on areas of non-compliance which can be analyzed to develop approaches (such as enhanced partnerships with other governmental agencies) to address areas of concern.

Improve the Efficiency of BOE's Tax and Fee Programs

Through a more visible presence in the business community, the BOE will be able to enhance communications with our external customers to allow prompt and accurate responses to their issues and questions, and improve existing feedback methods to ensure their concerns are heard and addressed. Feedback from business owners will enable the BOE to continually assess changes in the business environment to evaluate and modify processes and services to ensure that taxpayer expectations and needs are met or exceeded.

Improve the BOE's Organizational Efficiency

This program is predicated upon promoting cooperative working relationships with district staff, other departments within the BOE, and other agencies and stakeholder organizations, through the sharing and analysis of data and resources, as appropriate. The business model for this program promotes a collaborative voluntary compliance and enforcement effort within the district field offices in SUTD, the ID, and other BOE departments. SCOP will provide opportunities for the exchange of value added data between the DMV, EDD, FTB and local taxing jurisdictions.

Create an Expanded and Responsive Infrastructure

In conjunction with the Federal/State Steering Committee on Bridging the Tax Gap, BOE is working to expand our external partnerships with the DMV, EDD, FTB and other local taxing jurisdictions. The goal of this partnership is to explore, use and share best practices that capitalize on the development and implementation of successful data exchange models and applications.

D. Justification/Analysis of All Feasible Alternatives

Each alternative establishes registration, compliance, audit, enforcement, legal, and related support resources necessary for the BOE to implement a comprehensive statewide seller's permit/license check and education program. This statewide program is designed to educate business owners, identify unregistered businesses selling tangible personal property; voluntarily register these businesses, issue billings; and conduct audit functions. After notification of their legal responsibility to obtain a permit and remit the taxes due, when voluntary compliance can not be achieved, this program also provides for the pursuit of criminal complaints against unlawful and uncooperative business owners.

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

The positions and related resources requested are critical to the BOE's ability to collect additional sales and use tax revenues in an effort to reduce this segment of the tax gap in a timely manner without increasing taxes. These resources will also ensure that all businesses selling tangible personal property are properly registered and reporting taxes.

Without the requested resources, the BOE cannot fully serve the educational needs of business owners and perform the necessary registration, audit, compliance, and enforcement functions to ensure that all businesses selling tangible personal property are properly registered and do not continue to cause significant losses of tax revenue to state and local governments.

Alternative 1 – Fund a three-year SCOP of 148.0 limited-term positions and related resources. The estimated cost to implement this alternative is \$11,292,000 for FY 2008-09, \$13,462,000 for FY 2009-10 and \$13,332,000 for FY 2010-11.

This alternative requests the continuation of the 32.8 limited-term positions established in FY 2006-07 BCP No. 2e and establishes 115.2 new positions, for a total of 148.0 limited-term positions for this three-year program. Exhibit I (pages 12-29) provides a detailed description of the functions and workload of the requested positions. The following table summarizes the requested personnel years:

Classification	PERSONNEL YEARS			
	FY 2008-09	FY 2009-10 and 2010-11	Continued	New
Executive Department:				
Technology Services Division:				
Staff Information Systems Analyst (Spec.)	1.0	1.0	1.0	-
Associate Info. Systems Analyst (Spec.)	1.0	1.0	-	1.0
Internal Security and Audit Division:				
Business Taxes Specialist II	1.0	1.0	-	1.0
Office Technician (G)	0.5	0.5	-	0.5
Legal Department:				
Tax and Fee Programs Division:				
Tax Counsel III	1.0	1.0	1.0	-
Investigations Division				
Associate Tax Auditor	1.0	1.0	1.0	-
Business Taxes Administrator II	2.0	2.0	2.0	-
Business Taxes Specialist I (IRIS)	1.0	1.0	1.0	-
Business Taxes Specialist I (Investigators) (9.0 positions effective Jan. 1, 2009 and 10.0 positions effective Jul. 1, 2009)	8.5	23.0	4.0	19.0
Tax Technician III	2.0	2.0	2.0	-
Sales and Use Tax Department:				
Associate Tax Auditor (9.0 positions effective in Feb. 1, 2009)	10.8	16.0	-	16.0
Business Taxes Comp. Specialist (24.0 positions effective Feb. 1, 2009)	42.0	56.0	15.8	40.2
Business Taxes Administrator I	7.0	7.0	-	7.0
Business Taxes Specialist I	9.0	9.0	-	9.0
Office Technician (Typing)	7.0	7.0	-	7.0

D. Justification/Analysis of All Feasible Alternatives (Continued)**Alternative 1 (Continued)**

Classification	FY 2008-09	FY 2009-10 and 2010-11	Continued	New
Staff Info. Systems Analyst (Spec.)	1.0	1.0	-	1.0
Supervising Tax Auditor I (1.0 positions effective in Feb. 1, 2009)	1.4	2.0	-	2.0
Tax Tech. III (3.0 positions effective Feb. 1, 2009)	5.3	7.0	3.0	4.0
Administration Department:				
Accounting Section:				
Accountant Trainee	1.5	1.5	-	1.5
Human Resources Division:				
Associate Personnel Analyst	1.0	1.0	1.0	-
Personnel Specialist	1.0	1.0	1.0	-
Administrative Support Division:				
Associate Business Management Analyst	1.0	1.0	-	1.0
Associate Govt. Program Analyst	2.0	2.0	-	2.0
Associate Info. Systems Analyst (Spec.)	1.0	1.0	-	1.0
Communications Office:				
Assistant Tax Service Specialist	2.0	2.0	-	2.0
TOTAL POSITIONS	112.0	148.0	32.8	115.2

Pros:

- Generates an estimated \$60.2 million collectible revenue in FY 2008-09 with a 5.3 to 1 benefit-to-cost ratio and \$81.1 million in each of the following two FYs, FY 2009-10 and FY 2010-11, of implementation from the more than 241,920 business permit/license checks performed each year, with a benefit-to-cost ratio of 6.0 to 1 in FY 2009-10 and 6.1 to 1 in FY 2010-11.
- Increases the number of permitted businesses operating in California by approximately 7,258 per year.
- Creates a level playing field for California businesses.
- Identifies and deters tax avoidance, tax evasion and criminal activities.
- Encourages voluntary tax compliance reporting within all BOE tax programs.
- Increases taxpayer education and awareness.
- Enhances the reliability of information contained in BOE's taxpayer database through information obtained from business permit/license checks.
- Provides resources to address a segment of the tax gap.

Cons:

- Continues funding of the 32.8 limited-term positions established in FY 2006-07 BCP No. 2e and establishes 115.2 new limited-term positions, for a total of 148.0 limited-term positions.
- Requires additional funding of \$11,292,000 in FY 2008-09, \$13,462,000 in FY 2009-10, and \$13,332,000 in FY 2010-11.
- Requires General Fund expenditures.

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

Alternative 2 – Fund a three-year SCOP of 91.6 limited-term positions and related resources. The estimated cost to implement this alternative is \$7,911,000 for FY 2008-09 and \$8,452,000 for FY 2009-10 and 2010-11.

This alternative requests the continuation of the 32.8 two-year, limited-term positions established in FY 2006-07 BCP No. 2e and establish 58.8 new positions, for a total of 91.6 limited-term positions for this three-year program.

Pros:

- Generates up to \$40.5 million collectible ongoing revenue annually from the more than 120,000 business permit/license checks performed each year, with a benefit-to-cost ratio of 4.8 to 1.
- Increase the number of permitted businesses operating in California by approximately 3,629 per year.
- Creates a level playing field for California businesses.
- Identifies and deters tax avoidance, tax evasion and criminal activities.
- Encourages voluntary tax compliance reporting within all BOE tax programs.
- Increases taxpayer education and awareness.
- Enhances the reliability of information contained in BOE's taxpayer database through information obtained from business permit/license checks.
- Provides resources to address a segment of the tax gap.

Cons:

- Continues funding of the 32.8 limited-term positions established in BCP No. 2e and establishes 58.8 new three-year, limited-term positions, for a total of 91.6 three-year, limited-term positions.
- Requires additional funding of \$7,911,000 in FY 2008-09 and \$8,452,000 in FY 2009-10 and 2010-11.
- Requires General Fund expenditures.
- Staffing levels will not effectively allow for coverage of all areas of California.
- Will generate \$40.5 million less ongoing revenue than Alternative 1.

Alternative 3 – Continue the pilot BLIP with current staffing for an additional two-year, limited-term to accumulate more data to measure multiple years' worth of data to support a BCP for FY 2010-11. The estimated cost for this alternative is \$3,129,000 million annually.

The current BLIP pilot has been in place for less than a year and new data is generated daily. This alternative would allow the BOE to gather three years of data for analysis to support a future BCP.

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

Alternative 3 (Continued)

Pros:

- Allows BOE to gather more data to analyze.
- Increases the number of permitted businesses operating in California by 2,400 per year.
- Continues to generate \$25.0 million collectible revenue annually from the more than 83,000 business inspections performed each year, with a benefit-to-cost ratio of 8 to1.
- Creates a level playing field for California businesses. Identifies and deters tax evasion and criminal activities.
- Increases taxpayer education and awareness.
- Enhances the reliability of information contained in the BOE's taxpayer database through information obtained from business inspections.
- Provides resources to address a segment of the tax gap.

Cons:

- Continues funding of 32.8 limited-term positions for an additional two years at a cost of \$3,129,000 million annually.
- Delays a statewide implementation of the inspection program.
- Generates \$56.2 million less ongoing revenue than Alternatives 1 and \$15.6 million less ongoing revenue than Alternative 2.

E. Outcomes and Accountability

This proposal addresses the non-reporting and under-reporting sales tax portion of the Tax Gap. The prescreening of applicants and non-commitment hiring interviews of potential candidates will begin prior to FY 2008-09 to gain the immediate benefit of the increased staff. The actual hiring and training process will occur during early FY 2008-09. The outcome of the increased staffing will be measured by increases in permitted businesses, revenue generated by new registrations, audit leads gathered during permit/license checks, and investigations of revoked accounts. The data collected for these activities will be captured for revenue estimation and reporting.

F. Timetable

The BOE requests establishment of the positions beginning July 1, 2008.

July 2008 – June 2009	July 2009 – June 2010	July 2010 – June 2011
<ul style="list-style-type: none"> • Continue the existing 32.8 three year-limited-term positions. • Hire, train and phase-in 79.2 new three-year, limited-term positions. • Fully integrate efforts with district field offices. • Identify industries that historically have non-compliance issues to focus education and outreach efforts. • Implement expanded education and outreach efforts utilizing various media and partnering with stakeholders. • Conduct permit/license checks. • Increase registration of permitted businesses selling Tangible Personal Property in California. • Conduct audits based on leads found during permit/license checks. • Investigate complaints of persons operating without a permit. • Issue misdemeanor citations to persons that continue to knowingly operate without a permit. 	<ul style="list-style-type: none"> • Program fully implemented. • Hire, train and phase in 36.0 new two-year limited-term positions. • Continue education and outreach efforts. • Conduct permit/license checks. • Continue to identify industries that have non-compliance issues. • Increase registration of permitted businesses selling Tangible Personal Property in California. • Conduct audits based on leads found during permit/license checks. • Investigate complaints of persons operating without a permit. • Issue misdemeanor citations to persons that continue to knowingly operate without a permit. 	<ul style="list-style-type: none"> • Continue education and outreach efforts. • Conduct permit/license checks. • Continue to identify industries that have non-compliance issues. • Increase registration of permitted businesses selling Tangible Personal Property in California. • Conduct audits based on leads found during permit/license checks. • Investigate complaints of persons operating without a permit. • Issue misdemeanor citations to persons that continue to knowingly operate without a permit. • Prepare final analysis of program.

The program will be in full operation at the beginning of FY 2009-10 due to hiring and training.

G. Recommendation

Alternative 1 is recommended. This alternative would authorize funding for 148.0 limited-term positions and related resources to address a segment of the tax gap. By providing the resources as identified in Alternative 1, SUTD will implement a three-year statewide program. By implementing this program, a significant number of businesses that are actively engaged in business in California without a seller’s permit will be identified. As a result, the number of non-compliant California businesses will be reduced, existing business owners will be made aware of their responsibilities and the consequences of tax evasion, and voluntary tax compliance will be enhanced.

This proposal requires staff to work together in the exchange of data between district field offices, ID, other BOE departments and other agencies, thereby fostering improved communication and cooperative working relationships. Fostering these working relationships will streamline the agency’s efforts by eliminating duplication of taxpayer contacts. The rotational and promotional opportunities for staff will enrich BOE’s succession planning.

Successful implementation of the program will encourage voluntary compliance of the state tax laws that the BOE currently administers, capture tax revenue lost due to unpermitted businesses without increasing taxes, decrease the continuation of tax avoidance,

G. Recommendation (Continued)

discourage the growth of criminal activities in the underground economy, and benefit compliant businesses by creating a level playing field. This alternative is expected to result in a potential revenue gain of approximately \$81.1 million per year (Exhibit II, page 30). Exhibit I (pages 12-29) provides a detailed description of the functions and workload of the requested positions for Alternative 1.

H. Fiscal Detail

See attached "Fiscal Detail" schedules.

DRAFT

**EXHIBIT I
Position Description and Workload Justification
For Recommended Alternative 1**

(Exhibit I, Page 1 of 18)

SALES AND USE TAX DEPARTMENT (SUTD)

Field Operations Divisions

The SUTD Field Operations Divisions plan, organize, direct, and control all administrative activities and the Sales and Use Tax registration, collection and audit functions of the district field offices nationwide.

7.0 Business Taxes Administrator I (Field Supervisor) – 7.0 New Positions

Field Supervisors will be classified at the Business Taxes Administrator I level. These positions will directly supervise the staff in the field, in their efforts to enhance compliance for the SUTD. Supervisor responsibilities will include independently making decisions from remote locations to assist staff with permit/license checks, providing other day to day administration direction to staff, track and approve referrals to the Investigations Division, and coordinate the efforts with district and headquarters management. Other duties will include providing guidelines, addressing personnel issues, and other management and supervisory functions as needed. The table below provides the estimated workload for these positions.

Workload Detail					
Classification	Activity	Time Measure		On-going Activities	
		M = Measure H = Hours	Time Per Occurrence	Occurrences Per Year	Total Hours
Field Supervisors (BTA I)	Directly supervise employees, which includes coordinating efforts with management, field discussions, resolving complex program issues.	M			7,803
	Review and approve referrals to ID prior to submission.	H	0.5	2,177	1,089
	Provide information regarding issued leads to District and Headquarters management and state and local agencies.	H	1	72	72
	Review and approve time reports, expense claims.	H	0.5	924	462
	Conduct personnel evaluations.	H	6	77	462
	Prepare and discuss monthly activity reports with administration; conduct monthly staff meetings.	H	16	12	192
	Assist in development of policy and procedures and annual budget.	M			2,520
	Total Field Supervisor Hours				12,600
	Total BTA I Positions Requested (1,800 Hours/Position)				7.0

2.0 Business Taxes Specialist I (Policy and Procedure Staff) – 2.0 New Position

The program will require staff at the Business Taxes Specialist I level to accommodate the new workload, including: developing, clearing and distributing policies and procedures that the statewide implementation of a high-profile program will need, developing new forms or

(Exhibit I, Page 2 of 18)

modifying existing forms for the program, preparing reports for management and control agencies, coordinating the ongoing efforts of the statewide teams to maintain consistency, working on special projects that impact this program, and tracking the work performed and revenue generated by the SUTD permit/license check and audit staff. These positions will draft notices and letters, develop and coordinate outreach mailings to identified industries, update manuals, and create PowerPoint presentations for speaking engagements. In addition, these positions will be producing IRIS data extracts from static IRIS data downloads of permitted accounts; providing statistical data/information to supervisory and management staff as needed. The table below provides the estimated workload for these positions.

Workload Detail					
Classification	Time Measure	Time Measure	On-going Activities		
	Activity	M = Measure	Time Per Occurrence	Occurrences Per Year	Total Hours
Policy and Procedure (BTS I)	Develop, clear and distribute policy and procedures	M			700
	Write reports	M			200
	Develop or modify forms and letters	M			100
	Track and report revenue	M			800
	Data extraction and manipulation	M			600
	Develop and coordinate mailings	M			100
	Create Powerpoint presentations	M			100
	Update manuals	M			100
	Special Projects and other duties	M			200
	Coordinate the efforts between divisions and other departments to maintain consistency	M			700
	Total BTS I Hours	M			3,600
	Total BTS I Positions Requested (1,800 Hours Per Position)				2.0

7.0 Business Taxes Specialist I (Field Teams) – 7.0 New Positions

The Business Taxes Specialist will be preparing referrals to the ID, reviewing and approving referrals to audit staff, training staff, working with district offices to maximize the use of resources, coordinating activities with local municipalities and code enforcement, and speaking at outreach engagements. The table on the next page provides the estimated workload for this position.

Exhibit I, Page 3 of 18)

Workload Detail					
Classification	Activity	Time Measure		On-going Activities	
		M = Measure	Time Per Occurrence	Occurrences Per Year	Total Hours
Business Taxes Specialist	Prepare referrals	M			2,100
	Training staff	M			700
	Outreach engagements	M			700
	Coordinate activities	M			6,720
	Review and approve audit referrals	M			100
	Identify industries that require focused outreach	M			880
	Total BTS Hours				11,200
	Total BTS Positions Requested (1,600 Hours Per Position)				7.0

56.0 Business Taxes Compliance Specialist (Field Teams) – 15.8 Continued and 40.2 New Positions

Staff conducting the permit/license checks will be classified at the Business Taxes Compliance Specialist level within the SUTD due to the nature, complexity, and independence required to perform their duties. These positions will be located in selected District Offices throughout the state. Compliance Specialists will independently coordinate and conduct sales and use tax permit/license checks to identify sellers without a seller's permit. The table below provides the estimated workload for these positions.

Workload Detail					
Classification	Activity	Time Measure		On-going Activities	
		M = Measure	Time Per Occurrence	Occurrences Per Year	Total Hours
Business Taxes Compliance Specialist (BTCS)	General Permit/License Checks	M			71,680_a/
	Focused Permit/License Checks	M			17,920_b/
	Total BTCS Hours				89,600
	Total BTCS Positions Requested (1,600 Hours Per Position)				56.0

_a/ 20 minutes x 215,040 (Occurrences per Year) = 4,300,800 minutes/60 minutes per hour = 71,680 hours.

_b/ 40 minutes x 26,880 (Occurrences per Year) = 1,075,200 minutes/60 minutes per hour = 17,920 hours.

2.0 Supervising Tax Auditor I (District Field Audit Staff) - 2.0 New Positions

Audit Supervisors will be classified at the Supervising Tax Auditor I level within the SUTD due to the type and classification of positions supervised. These positions will directly supervise auditors in district offices, in their efforts to ensure taxpayers are reporting the correct amount of tax due. Typical supervisor responsibilities include providing technical and administrative direction to staff who will conduct audits, prepare audit reports, and conduct specialized audit procedures and techniques. Responsibilities include explaining audit findings to taxpayers or their representatives. The supervisor will be involved in the appeal process related to audits or field billing orders including petitions for redetermination and hearings. Other duties will include

(Exhibit I, Page 4 of 18)

ensuring established policies and procedures are followed, providing guidelines, addressing personnel issues, and other management and supervisory functions as needed. The table below provides the estimated workload for these positions.

Workload Detail					
Classification	Activity	Time Measure		On-going Activities	
		M = Measure	Time Per Occurrence	Occurrences Per Year	Total Hours
Audit Supervisors (STA I)					
	Directly supervise audit employees, including report preparation, field discussions, problem resolution, monthly activity reports.	M			1,800
	Confers with taxpayers and their representatives	M			180
	Review and approve time reports, expense claims.	M			100
	Coordinate hiring, training and conduct personnel evaluations.	M			540
	Review audit reports and correspondence	M			540
	Prepares for and attends conferences and hearings	M			180
	Monitor, input, and retrieve information from various data sources	M			260
	Total Field Supervisor Hours				3,600
	Total STA I Positions Requested (1,800 Hours/Position)				2.0

16.0 Associate Tax Auditor (District Field Audit Staff) – 16.0 New Positions

Associate Tax Auditors will be utilized to conduct audits, prepare audit reports, and conduct specialized audit procedures and techniques related to the activities of this program. Responsibilities include determining the appropriate test or statistical sampling methodology, preparing working papers to support audit findings, issuing billings as needed when adequate books and records are not made available and explaining audit findings to taxpayers or their representatives. The auditor may be involved in the appeal process related to audits or field billing orders including petitions for redetermination and hearings. The table below provides the estimated workload for these positions.

Workload Detail					
Classification	Activity	Time Measure		On-going Activities	
		H = Hours	Time Per Occurrence	Occurrences Per Year /a	Total Hours
Assoc. Tax Auditor	Conduct general audits and prepare audit reports	H	86	215	18,490
	Conduct focused audits and prepare audit reports	H	86	54	4,644
	Total ATA Hours				23,134
	Total ATA Positions Requested (1,400 Hours Per Position)				16.52

/a See Exhibit II

(Exhibit I, Page 5 of 18)

7.0 Office Technician (District Field Support) – 7.0 New Positions

The Office Technicians will perform typical clerical revenue supporting functions related to the program. These clerical functions will include filing, copying, answering phones, attendance coordination, maintaining personnel files, preparing miscellaneous recurring reports, and receiving and distributing mail. The table below provides the estimated workload for this position.

Workload Detail					
Classification	Activity	Time Measure		On-going Activities	
		M=Measure	Time Per Occurrence	Occurrences Per Year	Total Hours
Support (OT)	Provide administrative support for employees.	M			12,600
	Total Hours				12,600
	Total OT Positions Requested (1,800 Hours/Position)				7.0

7.0 Tax Technician (TT) III (Field Team Registration Staff) 3.0 Continued and 4.0 New Positions

Sales and Use Tax, TT staff will be classified at the TT III level in selected District Offices located throughout the state due to the need to exercise a high degree of judgment and initiative and be responsible for complex registration and technical duties. TT staff will support program field staff by: performing the initial follow ups by phone to taxpayers, registering unlicensed sales and use tax businesses identified by field staff; applying security requirements per department policy; performing account maintenance, and performing license close-out duties as needed for the sales and use tax program. The table below provides the estimated workload for these positions.

Workload Detail					
Classification	Activity	Time Measure		On-going Activities	
		H = Hours	Time Per Occurrence	Occurrences Per Year	Total Hours
Tax Tech III	Handling Taxpayer/ Fee Payer Inquiries and Initial Phone Follow Ups	H	0.17	5,000	850
	Register Affected Businesses	H	1	8,064	8,064
	Maintaining Accounts	H	0.17	12,000	2,040
	Closing Accounts	H	0.17	2,520	428
	Review/Analyze Returns & Schedules	H	0.5	2,520	1,260
	Total Tax Tech. III Hours				12,642
	Tax Tech III. Positions Requested (1,800 Hours/Position)				7.02

(Exhibit I, Page 6 of 18)

Tax Policy Division (TPD)

The Compliance and Technology Section in the SUTD TPD is responsible for maintaining and troubleshooting user security issues and prioritizing and coordinating mainframe/desktop enhancements or fixes. The Staff Information Systems Analyst, due to the significant increase of users and their mobile work environment, will maintain mainframe user security profiles, and will coordinate the resolution of network, hardware and software related problems with the Technology Services Division (TSD). The TPD is not currently staffed to handle the additional workload, and will require one Staff Information Systems Analyst.

1.0 Staff Information Systems Analyst (User Security) – 1.0 New Position

The TPD will require staff at the Staff Information Systems Analyst level to accommodate the increased number of new employees being added to SUTD due to this proposal. The position will be responsible for performing the first level support for computer, network and connectivity problems that occur and for coordinating with TSD to resolve the problems that cannot be resolved at the initial level, as well as coordinating system enhancements with TSD. The position will also be responsible for adding, deleting and modifying the user security profiles on the mainframe, desktop, external agency, and other software systems for the SUTD employees in this proposal. The table below provides the estimated workload for this position.

Workload Detail					
Classification	Activity	Time Measure		On-going Activities	
		H = Hours	Time Per Occurrence	Occurrences Per Year	Total Hours
User Security (SISA)	Troubleshoot Problems	H	1	1,000	1,000
	Maintain Mainframe, Desktop, External Agency and other User Security	H	0.5	1,000	500
	Coordinate with TSD	H	0.5	600	300
	Total SISA Hours				1,800
	Total SISA Positions Requested (1,800 Hours Per Position)				1.0

LEGAL DEPARTMENT

Investigations Division (ID)

The ID is responsible for conducting criminal investigations primarily in Sales and Use Taxes, Cigarette and Tobacco Products Taxes, and Fuel Taxes Programs. Since the passage of the Cigarette & Tobacco Products Licensing Act of 2003, the ID has four (4) teams of investigators conducting Cigarette and Tobacco Products inspections statewide. Two (2) teams of eight (8) investigative staff each are based in Northern California and two (2) teams of eight (8) investigative staff each are based in Southern California. During FY 2006-2007, ID has also conducted business license inspections in the San Francisco Bay Area and Los Angeles Metropolitan Area, pursuant to FY 2006-07 BCP No. 2e, "Retail Licensing Enforcement". With the implementation of the SCOP, ID will conduct investigations of business owners that continue to operate their businesses without a valid seller's permit despite repeated attempts to bring them into voluntary compliance. ID will conduct investigations and issue criminal citations to non-compliant business owners.

(Exhibit I, Page 7 of 18)

2.0 Business Taxes Administrator II (Field Supervisors) – 2.0 Continued Positions

Field Supervisors will be classified at the Business Taxes Administrator II level within the ID (50% Northern Division/50% Southern Division) of the Legal Department due to the type and classification of positions supervised. These positions will directly supervise investigators in BOE Headquarters and district offices, in their efforts to enhance compliance for all programs administered by BOE. Typical supervisor responsibilities include providing day to day direction to staff who will investigate persons selling tangible personal property without a valid seller's permit, investigate criminal tax evasion, present cases to various district attorneys, testify in court, approve citations issued during an investigation, track and coordinate audit referrals, and approve final resolution of cases resulting from issued citations. Other duties will include establishing and maintaining policies and procedures, providing guidelines, addressing personnel issues, and other management and supervisory functions as needed. Field Supervisors will have Limited Peace Officer status. The table below provides the estimated workload for these positions.

Workload Detail						
Classification	Activity	Time Measure		On-going Activities		
		H = Hours	Time Per Occurrence	Occurrences Per Year	Total Hours	
Field Supervisors (BTA II)	Discuss and approve misdemeanor citations with field investigators.	H	0.25	2,000	500	
	Review citation packages (cites, investigative notes and reports) prior to submission to prosecutors.	H	1	2,000	2,000	
	Provide information regarding issued citations to cited individuals, District Attorney staff, Legal and Board administration.	H	0.5	1,000	500	
	Review and approve time reports, expense claims, equipment use reports and field billing order requests.	H	30	12	360	
	Coordinate and conduct training.	H	80	2	160	
	Conduct personnel evaluations.	H	6	20	120	
	Prepare and discuss monthly activity reports with administration; conduct monthly investigator staff meetings.	H	16	12	192	
	Assist in development of policy and procedures, annual budget.	H	16	4	64	
	Total BTA II Hours				3,896	
	Total BTA II Positions Requested (1,800 Hours per Position)				2.16	

23.0 Business Taxes Specialist I (Investigators) – 4.0 Continued and 19.0 New Positions

Investigators will work complaints generated from permit/license checks of unpermitted businesses that continue to operate without registering for a permit. Investigators will issue misdemeanor citations to individuals that have refused to obtain seller's permits and continue to knowingly operate a business without the required seller's permits or operate a business with a seller's permit that has been suspended or revoked. In order to issue misdemeanor citations, these positions will require Limited Peace Officer status. Investigators will issue criminal citations as required, monitor issued citations as they progress through the legal process, appear as needed in court proceedings, prepare clear and concise citation reports, conduct field observations, assist in identifying interrelated fraud schemes, and coordinate investigation efforts with other government agencies. Investigators are expected to work with limited

(Exhibit I, Page 8 of 18)

supervision; to analyze data and situations accurately, draw sound conclusions, and take effective action; interpret and apply compliance and audit procedures objectively; examine a variety of hard-copy/electronic records to secure or verify information concerning suspect violations; and meet with and obtain the cooperation of local, state and federal law enforcement.

It is estimated that it will take 12 hours to work each referred complaint. It is estimated, based on results of the test pilot program (BCP 2e, FY 2006-07), that 30% of the unpermitted businesses found by the inspectors to be operating without a valid permit will refuse to obtain the required seller’s permit. It is estimated that annually the permit/license checks will result in 7,258 businesses operating without a permit (Exhibit II). Approximately 2,177 complaints (7,258 x 30%) will be generated annually from the permit/license checks. In addition, complaints will be handled by ID investigators concerning historical and future seller’s permits revoked by SUTD. There are currently approximately 11,000 revoked seller’s permits and we estimate 7% of these revoked permits will generate a complaint to ID from SUTD. Annually, 770 (11,000 x 7%) revoked permit complaints will be worked by ID investigators. The program will generate 2,947 (2,177 + 770) complaints that will be worked by ID investigators per year. ID will require 23 investigators to work these 2,947 complaints generated annually. The table below provides the estimated workload for these positions.

Workload Detail					
Classification	Time Measure Activity	Time Measure		On-going Activities	
		H = Hours	Time Per Occurrence	Occurrences Per Year	Total Hours
Investigator (BTS I)	Conduct Complaint Investigation	H	8.0	2,947	23,576
	Complete Misdemeanor Citation (25%)	H	1.0	737	737
	Pre-Trial Conferences with DA	H	2.5	737	1,843
	Attend and Participate in Trials (10%)	H	3.0	74	222
	Complete Investigative Report	H	3.0	2,947	8,841
	Total BTS I Hours				35,219
Total BTS I Positions Requested (1,520 Hours Per Position)					23.17

1.0 Business Taxes Specialist I (IRIS Assignment Control) – 1.0 Continued Position

IRIS Assignment Control staff will be classified at the Business Taxes Specialist I level within the ID of the Legal Department at BOE Headquarters due to the high technical nature of duties required. These positions will be utilized to perform IRIS assignment control duties such as: producing IRIS data extracts from static IRIS data downloads of permitted accounts; providing statistical data/information and reports to supervisory and management staff as needed; providing technical support on assignments; maintaining, tracking and updating data on citations issued by violations types; and analyzing the effectiveness of the program. The table on the next page provides the estimated workload for this position.

(Exhibit I, Page 9 of 18)

Workload Detail						
Classification	Activity	Time Measure		On-going Activities		
		H = Hours	Time Per Occurrence	Occurrences Per Year	Total Hours	
IRIS Control (BTS I)	Extract Street Data	H	4	52	208	
	Coordinate Complaint Investigations	H	8	52	416	
	Compile/Analyze Statistics	H	16	12	192	
	Develop Policies & Procedures	H	24	12	288	
	Program Status Reports	H	30	4	120	
	Develop/Maintain Tracking Mechanisms	H	80	2	160	
	Tax Tech III Oversight Lead	H	3	150	450	
		Total BTS I Hours (Assignment Control)				1,834
		Total BTS I Positions Requested (1800 Hours/Position)				1.02

1.0 Associate Tax Auditor (Audit Billing Staff) – 1.0 Continued Position

Audit Billing Staff will be classified at the Associate Tax Auditor level within the ID of the Legal Department at BOE Headquarters due to the anticipated complexity of the determinations. This position will be utilized to conduct fraud/tax evasion audits of a more difficult nature in all program areas; prepare appropriate audit reports; conduct specialized audit procedures and techniques, assist in identifying interrelated fraud schemes; testify in court to evade liabilities; and determine and coordinate civil tax fraud audit efforts with other governmental agencies. Responsibilities include determining the appropriate test or statistical sampling methodology, preparing working papers to support audit findings, issuing billings as needed when adequate books and records are not made available, and explaining audit findings to taxpayers or their representatives. The auditor may be involved in the appeal process related to audits or field billing orders including petitions for redetermination and hearings. The table below provides the estimated workload for this position.

Workload Detail						
Classification	Activity	Time Measure		On-going Activities		
		H = Hours	Time Per Occurrence	Occurrences Per Year	Total Hours	
Assoc. Tax Auditor						
	Issue Field Billing Order	H	4	252	1,008	
	Prepare Fraud Memo	H	1	252	252	
	Handle Petition Issues	H	1	126	126	
	Coordination with Taxpayer	H	1	126	126	
	Prepare Background for Appeals	H	1	126	126	
		Total ATA Hours				1,638
	Total ATA Positions Requested (1,600 Hours Per Position)				1.02	

2.0 Tax Technician III (Field Support Personnel) – 2.0 Continued Positions

Field Support Personnel will be classified at the Tax Technician III level within the ID of the Legal Department at BOE Headquarters due to the difficult and complex technical duties that will be required to support and advise the SCOP field staff. Under the general direction of a Supervising Tax Auditor II, Field Support Personnel will be utilized to support and advise field staff by searching and querying the BOE's IRIS system for information and registration data on businesses targeted before and during investigations. These positions will independently query IRIS information on suspects operating without a seller's permit; review and evaluate query

(Exhibit I, Page 10 of 18)

results; draw accurate and sound conclusions; and advise Investigators of other pertinent internal and external information available for their use. Staff will perform IRIS account maintenance functions and updates as a result of more accurate information gathered from the investigations. Staff will also screen each business location being investigated for suspended or revoked licenses, the status of other licenses, etc. The table below provides the estimated workload for these positions.

Workload Detail					
Classification	Activity	Time Measure		On-going Activities	
		H = Hours	Time Per Occurrence	Occurrences Per Year	Total Hours
Tax Technician III					
	Query & Verify Account Details	H	0.083	40,000	3,320
	Maintain Accounts	H	0.25	2,520	630
	Total Tax Tech. III Hours				3,950
	Total Tax Tech. III Positions Requested (1,800 Hours Per Position)				2.19

Tax and Fee Programs Division:

The Tax and Fee Programs Division advises the Board Members, the Sales and Use Tax Department, the Property and Special Taxes Department and the public on various tax and fee issues, represents the Departments in matters before the Board Members and works with the Attorney General's office on litigation.

1.0 Tax Counsel III (Legal Counsel) – 1.0 Continued Position

Legal Counsel will be classified at the Tax Counsel III level within the Tax and Fee Programs Division of the Legal Department at BOE Headquarters to ensure the legality of cases prepared by ID and provides counsel for ID cases that proceed to criminal trial. Additionally, Legal Counsel will assist in the appeals and petitions process, frame issues of the law and fact, draft issue papers, regulations, and legislation, issue legal opinions, and advise BOE staff on matters relating to permit/license checks. The table below provides the estimated workload for this position.

Workload Detail					
Classification	Activity	Time Measure		On-going Activities	
		H = Hours	Time Per Occurrence	Occurrences Per Year	Total Hours
Tax Counsel III	Review Policies & Procedures	H	10	20	200
	Produce Legal Opinions	H	20	20	400
	Review/Prepare Appeals Cases	H	10	50	500
	Review/Prepare Litigation Cases	H	10	20	200
	Review Settlement/OIC Cases	H	20	25	500
	Total Tax Counsel III Hours				1800.0
	Total Tax Counsel III Positions Requested (1,800 Hours Per Position)				1.0

(Exhibit I, Page 11 of 18)

COMMUNICATIONS OFFICE

2.0 Assistant Tax Service Specialist (Communications Office) 2.0 New Positions

For this project, the Communication Office requests 2.0 three-year limited-term Assistant Tax Service Specialists to assist in the education and outreach component of the SCOP. Existing outreach staff has worked closely with the BOE’s ID to make sure taxpayers in the affected areas are duly notified about the permit/license checks, are prepared to answer questions, and make the best opportunity of each BOE visit. They have prepared taxpayer handouts, publications, and even produced translated versions for Non-English speaking taxpayers which make up large parts of the business community in various parts of the State. They have also produced news releases and worked with local media in the Los Angeles and San Francisco Bay Area regions before and during the inspection process to develop awareness of the program. The table below provides the estimated workload for these positions.

Workload Detail			
Activity	Work Involved	Occurrences	Total Hours
Write notices, brochures, and other taxpayer literature, then manage print and distribution in multiple languages	Letters (15 hrs) Special Notices (80 hrs) brochures and publications (100 hrs)	Anticipate the need to develop approximately 5 letters, 12 Special Notices and 6 other publications	1,635
Web Content and Service Guides	Building Web Pages, writing accompanying language (40 hrs)	Approximately 10 different sections, with multiple pages and tables, on the Board website may need to be updated	400
Public Service Announcements	Writing and producing audio and video announcements (20 hrs)	Expect to use approximately 12 announcements in English and at least 6 in other languages	360
Work with local and statewide news media to promote awareness of the program	News releases and media advisories (5 hours) Coordinate and plan press events (30 hours)	Anticipate the need to reach local media in 4-6 (average of 5) regional markets	175
Work with district office staff to incorporate information into taxpayer seminars	Training per district (20 hours) attend events (10 hours)	Board holds at least 2 public events per month, has 25 different offices	730
Attend community events and speak on behalf of the agency and its approach to the program	Attend event, educate local taxpayer groups (10 hours)	Hope to attend events in each region of state (10 approximately)	100
Contact Taxpayers following license sweeps to learn about their experience, what information could benefit their businesses	Informal Surveys (10 hours)	Expect to hold multiple surveys in each region (estimate 20 total)	200
	Total Assistant Tax Service Specialist Hours		3,600
	Total Assistant Tax Service Specialist Positions Requested (1,800 Hours per Positions)		2.0

(Exhibit I, Page 12 of 18)

EXECUTIVE DEPARTMENT

Technology Services Division (TSD)

TSD is responsible for the computer systems and technology infrastructure that support the BOE tax and administrative programs. To support the 148.0 requested positions, TSD will need to continue the Staff Information Systems Analyst (SISA) position currently funded by FY 2006-07 BCP No. 2e, "Retail Licensing Enforcement." In addition, TSD will require 1.0 new Associate Information Systems Analyst (AISA) to support the additional personnel, hardware and software for the program. In total these two positions will support 76 tablet PCs, 25 laptops and 47 standard PCs. The tables below provide the estimated workload for these positions.

1.0 Staff Information Systems Analyst (TSD Support Staff) – 1.0 Continued Position

The current SISA position is needed to support network connectivity, network hardware and operating systems, server and applications software, routers, gateways, personal computers and peripherals operating in a multi-platform/protocol network environment, associated with the program. Currently, this program relies heavily on 20 complex tablet PCs for conducting permit/license checks activities and 13 standard PCs for other personnel. In addition to providing direct support services, the SISA will act as a lead for 1.0 AISA (see table on next page). The table below provides the estimated workload for this position.

Workload Detail					
Classification	Activity	Time Measure		On-going Activities	
		H = Hours	Time Per Occurrence		Total Hours
IT Support Services (SISA)	Troubleshoot Problems/User Support and Training	H	Variable		900
	Maintain Encryption, VPN, Tunnelguard and other Security	H	Variable		250
	Build, Test and Maintain Computer Images	H	Variable		250
	Coordinate with Investigations Div	H	Variable		100
	Special Projects, Documentation	H	Variable		100
	Travel to Remote Offices	H	Variable		100
	Lead Functions	H	Variable		100
	Total SISA Hours				1,800
	Total SISA Positions Requested (1,800 Hours Per Position)				1.0

1.0 Associate Information Systems Analyst (TSD Support Staff) – 1.0 New Position

TSD Support Staff will also require 1.0 added Headquarters position at AISA level. This new position will provide day-to-day real time direct support for the SCOP staff, particularly for users of 56 new tablet PCs, which are more complex to support. The complexity is primarily service related. BOE has opted to remotely connect the Tablet PCs with BOE systems through the use of an aircard, which functions similar to a cell phone. This capability enables staff to access data on a real time basis from remote locations, such as a taxpayer's business premises. While the aircard provides more range and flexibility than a standard wireless connection, it is also less stable. Accordingly, TSD staff is required to spend a significantly greater amount of time to ensure adequate connectivity and security for equipment using an aircard than for equipment using wireless connections. The table on the next page provides the estimated workload for this position.

(Exhibit I, Page 13 of 18)

Workload Detail					
Classification	Activity	Time Measure		On-going Activities	
		H = Hours	Time Per Occurrence		Total Hours
IT Support Services (AISA)	Troubleshoot Problems/User Support and Training	H	Variable		1,000
	Maintain Encryption, VPN, Tunnelguard and other Security	H	Variable		250
	Build, Test and Maintain Computer Images	H	Variable		250
	Coordinate with Investigations Div	H	Variable		100
	Special Projects, Documentation	H	Variable		100
	Travel to Remote Offices	H	Variable		100
	Total AISA Hours				1,800
	Total AISA Positions Requested (1,800 Hours per Position)				1.0

Internal Security and Audit Division (ISAD)

ISAD is responsible for the internal auditing program, conducting internal administrative investigations involving BOE employees, maintaining the BOE Physical Security program, and the Business Resumption program. Additional positions are requested to address the increased workload with implementation of the program.

1.0 Business Taxes Specialist (BTS) II – 1.0 New Position

ISAD will require internal audit, investigations, physical security staff at the level of a BTS II to conduct performance, compliance, and/or fiscal audits of the program and prepare audit reports and follow up on findings and recommendations to ensure corrective action has been taken; investigate increased employee and taxpayer threat incidents, reports of lost, stolen, or damaged BOE equipment, and complaints and allegations involving BOE employees. 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
BTS II	Conduct audits and prepare audit reports	H	270	5	1,350
	Investigate employee and taxpayer threats; reports of lost, stolen or destroyed equipment; complaints/allegations (includes travel to district offices, court hearings, etc.)	H	16	23	368
	Conduct physical security reviews	H	90	1	90
	Total BTS II Hours				1,808
	Total BTS II positions requested (1,800 hours per position)				1.0

(Exhibit I, Page 14 of 18)

0.5 Office Technician (OT) (Support) – 0.5 New Position

The OT will perform clerical functions related to supporting internal audit, investigations, and physical security including copying, filing, answering phones, preparing and distributing audit and investigation reports, and assisting with physical security related functions such as employee badging and fingerprinting. 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
OT	Provide administrative support to internal audit, investigations, and physical security staff	H	Variable	Variable	900
	Total OT Hours				900
	Total OT positions requested (1,800 hours per position)				0.5

ADMINISTRATION DEPARTMENT

Financial Management Division - Accounting Section

The Accounting Section is responsible for processing salary warrants and salary advances for all BOE employees and for processing and maintaining the accounting records for travel advances and travel expense reimbursements for all BOE employees who travel on State business. The Accounting Section is committed in providing quality customer service to all BOE employees and in ensuring that payment of employee expenses are completed accurately and timely.

This program includes the continuation of 32.8 limited-term positions under BCP No. 2e, "Retail Licensing Enforcement". To meet the increase in workload created by these new positions, Accounting Section would have needed 0.34 of a position. Instead of obtaining this part-time position, Accounting Section absorbed the additional workload or worked periodic overtime as the need arose. Now, with the addition of 115.2 positions under SCOP, Accounting Section will no longer be able to absorb the additional workload with its current staffing levels. Therefore, to effectively meet these responsibilities, the Accounting Section is requesting the addition of 1.5 positions in order to provide quality customer support to all of the 148.0 employees under this BCP.

1.5 Accountant Trainee – 1.5 New Positions

The Accountant Trainee will provide support to BOE employees in the area of salary warrant processing and travel support and reimbursement, including CalATERS expense reimbursements, travel advances, manual travel expense claims, and rental car and airlines expenses. The table below provides the estimated workload for these positions.

(Exhibit I, Page 15 of 18)

Workload Detail					
Classification	Activity	Time Measures		On-going Activities	
		H=Hours	Time per Occurrence	Occurrences per Year	Total Hours
Accountant Trainee	Process Salary Warrants/ Salary Advances	H	.50	1,776 _a/	888
	Process Travel Advances/ Travel checks	H	.50	1,416 _b/	708
	Process CalATERS claims	H	.50	1,416 _b/	708
	Process RC/Air expenses	H	.25	1,416 _b/	354
	Total Accountant Trainee Hours				2,658
	Total Accountant Trainee Positions Requested (1,800 Hours Per Position)				1.5

_a/ 148 employees, one warrant each month, 148 x12 (months) =1,776 times per year.

_b/ 118 travelers, one claim each month, 118 x12 (months) =1,416 items per year.

Human Resources Division (HRD)

The HRD is responsible for maintaining personnel administrative duties for all BOE employees. HRD is not currently staffed at a level to meet current workload and will need 1.0 Associate Personnel Analyst position to work in both the Organizational Services Section and Examination and Recruitment Section and 1.0 Personnel Specialist position to work in the Personnel Transactions Section. These positions are vital as the BOE faces the challenge of attracting and retaining a well-qualified workforce while competing with the private sector for talent.

1.0 Associate Personnel Analyst (Organizational Services Section/Examination and Recruitment Section) – 1.0 Continued Position. Duties are as follows:

- Recruitment: participating in recruitment events activities, mailings, vacancy and examination announcements, and review transcripts.
- Examination Processing: job analysis, examination development, internet examination maintenance, examination administration, and examination appeals.
- Hiring: VPOS announcements, 628 review, position allocation determinations, and liaison activity with DPA.
- Employee Performance activities include: consultation to and preparation of probationary reports, counseling and corrective memorandums, adverse actions, and interpreting statewide personnel management policies.
- Management/Employee Consultation: consultation on organization structure, preliminary review of employee issues related to performance, medical issues, and FMLA entitlement, correspondence to employees, management, and control agencies; training, telephone calls, and emails.

Exhibit I, Page 16 of 18)

The table below provides the estimated workload for these positions.

WORKLOAD DETAIL			
Activity	Factors And Weights (Hours per Occurrence)	Occurrences Per Year	Total Hours
Recruitment	6.32	100_a/	632
Exam Processing	2.04	100_a/	204
Hiring	5.75	100_a/	575
Employee Performance	2.25	100_a/	225
Management Consultation	2.25	100_a/	225
Administrative Detail	19.2	12_b/	230
	Total APA Hours		2,091
	Total APA Positions Requested (1,800 Hours Per Position)		1.16

_a/ Per 100 employees.

_b/ 12 months.

1.0 Personnel Specialist (Personnel Transactions Section) – 1.0 Continued Position.

Duties are as follows:

- Hiring/Appointment Process: certification appointment process, verification of the minimum qualifications prior to appointment, salary determinations, position control activities, and appointments.
- Attendance/Pay and Benefits: all payroll activities (regular and miscellaneous), benefit administration, maintaining leave balance information, timekeeping, and disability claims administration.
- Administrative Detail: correspondence to employees, control agencies, and other jurisdictions; employment verification, subpoena documentation, retroactivity reports, accounts receivable, MIRS reports, service awards, EDD claims, and security monitoring.
- Employee contact: emails; telephone calls, and personal contact.

The table below provides the estimated workload for this position.

WORKLOAD DETAIL			
Activity	Factors and Weights (Hours per Occurrence)	Occurrences Per Year	Total Hours
Hiring/Appointment Process	5.75	100_a/	575
Attendance/Pay and Benefits	26.2	12_b/	314
Administrative Detail (Reports, Training, Correspondence)	21	12_b/	252
Employee Contact Time	60	12_b/	720
	Total PA Hours		1,861
	Total PA Positions Requested (1,800 Hours Per Position)		1.03

_a/ Per 100 employees.

_b/ 12 months.

Exhibit I, Page 17 of 18)**Administrative Support Division (ASD)**

The ASD is the Change Agent for the BOE and staff is committed to providing support for the needs and expectations of the BOE. The ASD is responsible for administering the business management activities and programs which include Processing and Facilities Management, Business Services, Contracts and Procurement (Acquisition Program), and Publishing, Printing, and Supply Warehousing. The mission of the ASD is to provide a high level of customer service through the delivery of services in areas of leasing, property acquisitions and dispositions; building management and maintenance; administration of incoming and outgoing mail services; administration of the BOE's cashiering and deposit responsibilities; administration of the acquisition program for the purchase of necessary goods and services, administration of the telecommunications program; and printing, publishing, graphics; emergency preparedness, and other related administrative services. The ASD staff have a critical role in providing for the physical work environment for all BOE employees. Existing staffing levels do not allow ASD to complete the workload necessary to provide for the physical work environment under this new program. In order to support these needs ASD requires the addition of 1.0 Associate Information Systems Analyst, 1.0 Associate Business Management Analyst, and 2.0 Associate Governmental Program Analyst.

1.0 Associate Information Systems Analyst (Business Services Section) – 1.0 New Position

Voice Telecommunications activities include, but are not limited to, project planning for voice requirements at each property, project cabling, relocation, cost planning, cellular, voice, Centex Management Services, installation, field office relocations and other related on-going business management activities to meet the changes in employee assignments and the increase of employees hired within BOE. The telecommunications staff has been tasked with meeting the changes of the telecommunications industry as BOE moves toward more information technology based equipment and services i.e. Voice over Internet Protocol (VoIP). Develop strategies to implement new digital telecommunications systems and enhanced opportunities for VoIP. Modernize and develop standards of practice that encompass the wide and varied services in telecommunications.

1.0 Associate Business Management Analyst (Business Services Section) – 1.0 New Position

Space planning and allocation activities include, but are not limited to, project management, space planning and design, modular furniture configuration and design, project coordination which includes alterations, renovation, and change or configure space for employees hired and other on-going business management activities at district offices or within BOE headquarters building. Meet the space planning, on-going business management activities of a district office or headquarters office, leasing demands and coordinate those activities through the control agencies at both the state and local level i.e. Department of General Services, State Fire Marshal, local building departments, where required Department of Finance and other control jurisdictions.

2.0 Associate Governmental Program Analyst (Contracts & Procurement Section) – 2.0 New Positions

Acquisition of goods and services include, but are not limited to, service contracts, non-IT and IT services and contract renewals, contract amendments, non-contract service requests, photocopier administration and other tax and fee program generated services. Procurement of goods, non-IT and IT include, but are not limited to, commodities and equipment purchasing,

Exhibit I, Page 18 of 18)

business printing, and small purchase bank card program administration. The table below provides the estimated workload for these positions.

Workload Detail				
Classification	Activity	Factors and Weights (Hours per Occurrence)	Detailed Duties	Total Hours
1.0 Associate Information Systems Analyst	Telecommunication systems installation and support activities	1,800 hours AISA to install and provide on-going support telecommunication system	Project Management and On-going business management activities (installation of the initial telecommunications system, on-going management, maintenance and monitoring of telecommunications systems, introduction of new automated systems, etc.)	1,800
1.0 Associate Business Management Analyst	Space Planning and Design, Construction, and support activities	1,800 hours ABMA to develop space plans, and support related on-going activities	Project Management and On-going business management activities (develop and update plans, regular moves of employee assignment changes, contractor coordination, reconfiguration requests, coordination of activities as changes are made to a given space during the lease term, etc.)	1,800
2.0 Associate Government Program Analyst	Acquisition Program activities	40 hours to evaluate and stage request; 40 hours of consulting and advising requestor; 40 hours to prepare solicitation; 80 hours of advertisement; 40 hours to evaluate bids, determine responsible awarded bidder and prepare purchase document to secure services or products. (240 total hours per request)	Per request for non-IT and IT goods and/or services. ASD anticipates 15 requests per 100 employees	3,600
	Total ASD Hours			7,200
	Total ASD Positions Requested (1,800 Hours per Positions)			4.0

EXHIBIT II REVENUE ANALYSIS

(Exhibit II, Page 1 of 3)

There are approximately 1,068,435 valid permits in California, per FY 2004-2005 BOE Annual Report. Business license inspections in 2006 indicate that approximately 97% of inspected businesses have valid permits; 3% of inspected businesses have closed-out or non-existent permits.

Utilizing the above numbers:

1,101,479 = 100% of operating businesses in California (1,068,435 / 97%)

1,068,435 = 97% of CA businesses that have valid seller's permits (BOE Annual Report)

33,044 = 3% CA businesses operating without a seller's permit (1,101,479 - 1,068,435)

ID has determined that businesses found to be operating without a valid seller's permit that have now received a permit have or will report on average \$6,287 sales tax per year. This \$6,287 average sales tax per year is based on obtaining sales tax liability amounts from taxpayers that obtained permits after being inspected. (Exhibit III)

ID has determined that these businesses have been operating on average 1.89 years without a permit (Exhibit IV). Multiplying the 1.89 years by the \$6,287 sales tax per year establishes an \$11,882 average tax recovery for each new registration, this additional \$5,595 sales tax per year is expected to be recovered through taxpayers filing past due returns for the 1.89 years operating without a permit and is not included in the Audits from permit/license check tax recovery amount. The \$11,882 is being reduced by the 12.3% uncollectible rate to establish an average tax recovery of **\$10,420** (\$11,882 x 87.7%) for each new registration (Exhibit III).

Total potential tax recovery = 33,044 (unpermitted) x \$10,420 = \$344,318,480

SUTD compliance specialists will spend 80% of their time conducting general permit/license checks and 20% of their time conducting focused permit/license checks. On average, it takes 20 minutes (3/hour) to complete a general permit/license check of a business and 40 minutes (1.5/hour) to complete focused permit/license checks. Three (3) percent of the California businesses are unpermitted.

- FY 2008-09 permit/license checks
 - General permit/license checks: 1600 hrs/yr X 80% X 42 Specialist = 53,760 hrs/yr
 - 53,760 hrs/yr X 3 permit/license checks per hour = 161,280 checks/yr
 - Focused permit/license checks: 1600 hrs/yr X 20% X 42 Specialist = 13,440 hrs/yr
 - 13,440 hrs/yr X 1.5 permit/license checks per hour = 20,160 checks/yr
 - Total annual permit/license checks = 181,440 (161,280 + 20,160)
 - 181,440 permit/license checks X 3% = 5,443 unpermitted businesses
 - 5,443 unpermitted businesses X \$10,420 = \$56,716,060 permit/license check revenue

(Exhibit II, Page 2 of 3)

- FY 2009-10 and 2010-11 permit/license checks
 - General permit/license checks: 1600 hrs/yr X 80% X 56 Specialist = 71,680 hrs/yr
 - 71,680 hrs/yr X 3 permit/license checks per hour = 215,040 checks/yr
 - Focused permit/license checks: 1600 hrs/yr X 20% X 56 Specialist = 17,920 hrs/yr
 - 17,920 hrs/yr X 1.5 permit/license checks per hour = 26,880 checks/yr
 - Total annual permit/license checks = 241,920 (215,040 + 26,880)
 - 241,920 permit/license checks X 3% = 7,258 unpermitted businesses
 - 7,258 unpermitted businesses X \$10,420 = \$75,628,360 permit/license check revenue

The businesses most likely to be audited as a result of the general permit/license checks will have sales that are comparable to those businesses ranked in cells 6 through 16 in the audit selection scale. Audits in FY 2006, in audit cells 6 through 16, averaged 86 hours and recovered \$ 279/hr. Revenue per audit in this cell range averaged \$ 23,994 (86 x \$ 279 = \$23,994). 2006 ID data indicates that approximately 0.1% of all permit/license checks will be selected for audit. Average revenue per audit is \$23,994 but does not include the average cancellation factor (15%) or the non-collection factor (12.3%). With these adjustments, the average revenue per audit is **\$17,886**.

The businesses that most likely to be audited as a result of the focused permit/license checks will have average revenue per audit comparable to businesses such as gasoline stations, used car dealerships, and restaurants. Based on data from the past three years, their average revenue per audit is \$41,811. This does not include the average cancellation factor (15%) or the non-collection factor (12.3%). With these adjustments, the average revenue per audit is **\$31,168**.

The tables on the next page summarize the projected annual revenue for the statewide program.

- Total audit revenue for FY 2008-09 resulting from the program is \$3,503,006 (\$2,879,646 + \$623,360).
 - For FY 2008-09, 0.1% of the projected 161,280 general permit/license checks will result in 161 annual audit leads (161,280 x .001 = 161).
 - 161 audits x \$17,886 = \$2,879,646 annual audit revenue resulting from general permit/license checks.
 - For FY 2008-09, 0.1% of the projected 20,160 focused permit/license checks will result in 20 annual audits (20,160 x .001 = 20).
 - 20 audits x \$31,168 = \$623,360 annual audit revenue resulting from focused permit/license checks.

(Exhibit II, Page 3 of 3)

- Total audit revenue for FYs 2009-10 and 2010-11 resulting from the program is \$4,655,858 **\$5,528,562** (\$3,845,490 + \$810,368 **\$1,683,072**).
 - For FYs 2009-10 and 2010-11, 0.1% of the projected 215,040 general permit/license checks will result in 215 annual audits (215,040 x .001 = 215+).
 - 215 audits x \$17,886 = \$3,845,490 annual audit revenue resulting from general permit/license checks.
 - For FYs 2009-10 and 2010-11, because the program will be in full operation and efforts to mine data for focused audits will improve over time, we expect to double the percentage (0.2%) of **audits from** the projected 26,880 focused permit/license checks which will result in 54 annual focused audits (26,880 x .002 = 53.8).
 - 54 audits x \$31,168 = \$1,683,072 annual audit revenue resulting from focused permit/license checks.

FY 2008-09 Projected Annual Revenue for First Year from the Statewide Compliance and Outreach Program

Total Permit/License Checks Per Year	Unpermitted (3% of Total Permit/License Checks)	Tax Recovery/Per Permit	Total Tax Revenue
181,440	5,443	\$10,420	\$ 56,716,060
	Total Annual Audits	Tax Revenue per Audit	Total Audit Revenue
General	161	\$17,886	\$2,879,646
Focused	20	\$31,168	\$623,360
Total Audits	181		\$3,503,006
Total Annual Projected Revenue for First Year			\$60,219,066

FY 2009-10 and 2010-11 Projected Annual Revenue from the Statewide Compliance and Outreach Program

Total Permit/License Checks Per Year	Unpermitted (3% of Total Permit/License Checks)	Tax Recovery	Total Tax Revenue
241,920	7,258	\$10,420	\$75,628,360
	Total Annual Audits	Tax Revenue per Audit	Total Audit Revenue
General	215	\$17,886	\$3,845,490
Focused	54	\$31,168	\$1,683,072
Total Audits	269		\$5,528,562
Total Annual Projected Revenue per Year In the 2nd and 3rd Year			\$81,156,922

EXHIBIT III
AVERAGE ANNUAL TAX RECOVERY ANALYSIS
AUGUST 1, 2006 THROUGH APRIL 30, 2007

(Exhibit III, Page 1 of 1)

Test Area	Total Estimated Annual Tax Recovery	Number of Registrations Included in Test_{a/}	Estimated Average Annual Tax Recovery	Years Operating Factor	Adjusted Average Annual Tax Recovery
Los Angeles	\$849,283	139	\$6,110		
San Francisco	\$835,697	129	\$6,478		
Total	\$1,684,980	268	\$6,287	1.89	\$11,882

_{a/} This is a sample of the total 1700+ registrations during the pilot.

Collection Rate

87.7%

Annual Tax Recovery per New Registration

\$10,420

(\$11,882 x 87.7%)

=====

The estimated annual tax recovery was estimated by ID tax auditors making a visit to businesses that had obtained a seller's permit after the ID inspectors informed these business owners that they were required to obtain a seller's permit.

Visits to the business locations were done to either verify accuracy of reported amounts or to obtain reasonable estimates of tax amounts that will be reported by the business owners.

The ID auditors estimated monthly tax recovery amounts by reviewing returns filed by these businesses and/or discussions with taxpayers, along with observations of business inventory and transactions.

The estimated monthly tax recovery amounts were multiplied by 12 to determine the estimated annual tax recovery per new registration (seller's permit). Basically, the annual tax recovery amounts represent sales tax that would not be reported and paid to the BOE if these 268 businesses had not been inspected.

As of May 31, 2007, approximately 45% of the businesses inspected and found to need a seller's permit have registered with the BOE. Comparison of the NAICS type business for the businesses still not in compliance to the businesses that have registered with BOE shows that the types of businesses included in this test represent business types that are included in the 55% of businesses that still have not registered with the BOE.

The 1.89 years operating factor was determined by totaling the number of days between the start of business date and the inspection date for the 268 businesses included in the test, then dividing this total by 365 days (Exhibit IV).

EXHIBIT IV
AVERAGE YEARS OPERATING WITHOUT A PERMIT ANALYSIS
AUGUST 1, 2006 THROUGH APRIL 30, 2007

(Exhibit IV, Page 1 of 1)

	Los Angeles Area	San Francisco Area	Total
Days Operating Without Permit	102,192	82,569	184,761
Number of New Permits Included	139	129	268
Average Days Operating Without Permit	735	640	689
Average Years Operating without Permit	2.01	1.75	1.89

Total days operating without a permit was determined by subtracting the start of business date from the inspection date. Average Days operating without a required seller's permit was calculated by dividing Total Days operating without a permit by the Number of New Permits. Average Years operating without a permit was calculated by dividing Average Days operating without a permit by 365 (days in a year).

EXHIBIT V
BUSINESS LICENSES INSPECTION PROGRAM
ACTIVITY STATUS REPORT
AUGUST 1, 2006 THROUGH MAY 31, 2007

(Exhibit V, Page 1 of 1)

	Los Angeles Area	San Francisco Area	Total
Number of Inspections	22,503	21,971	44,474
Number of Unpermitted Businesses	925	790	1,715
Percent of Non-Compliance	4.1%	3.6%	3.9%
Number of 220i Forms, Account Maintenance	3,497	4,869	8,366
Number of 1164 Forms, Audit Lead Referrals	49	23	72

DRAFT

DATE: September 11, 2007

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

Title of Proposed Change: STATEWIDE COMPLIANCE AND OUTREACH PROGRAM

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

	PERSONNEL YEARS			CY	BY	BY + 1
	CY	BY	BY + 1			
TOTAL SALARIES AND WAGES _a/		112.0	148.0		\$6,644	\$8,935
Salary Savings		-5.6	-7.4		-332	-447
NET TOTAL SALARIES AND WAGES		106.4	140.6		6,312	8,488
Staff Benefits _a/					2,334	3,139
NET TOTAL SALARIES AND WAGES		106.4	140.6		8,646	11,627
Distributed Administration						
TOTAL PERSONAL SERVICES		106.4	140.6		\$8,646	\$11,627
OPERATING EXPENSE AND EQUIPMENT						
General Expense					\$1,386	\$394
Distributed Administration						
Printing					34	34
Communications					131	122
Postage					58	58
Travel--In-State					494	783
Travel--Out-of -State						
Training					104	110
Facilities Operations					375	328
Consulting & Professional Services: Interdepartmental						
Consulting & Professional Services: External						
Department of Technology						
Data Processing					64	6
Equipment						
Other Items of Expense: (Specify Below)						

_a/ See page 38 of 40 for itemized staff benefits and classification detail.

	<u>CY</u>	<u>BY</u>	<u>BY + 1</u>
TOTAL OPERATING EXPENSE AND EQUIPMENT		\$2,646	\$1,835
TOTAL EXPENDITURES (State Operations)		\$11,292	\$13,462

Source of Funds

General Fund	(0001)	\$7,340	\$8,750
Special Funds:			
Breast Cancer Fund	(0004)		
State Emergency Telephone	(0022)		
Propane Surcharge Fund	(0051)		
Motor Vehicle Fuel Account	(0061)		
Occupational Lead Prevention Fund	(0070)		
Childhood Lead Poisoning Prev. Fund	(0080)		
Cig. and Tobacco Prod. Surtax Fund	(0230)		
Oil Spill Prevention and Admin. Fund	(0320)		
Integrated Waste Management	(0387)		
Underground Storage Tank Fund	(0439)		
Energy Resources Programs Account	(0465)		
CA. Children and Families First Trust Fund	(0623)		
Federal Trust Fund	(0890)		
Timber Tax Fund	(0965)		
Gas Consumption Surcharge Fund	(3015)		
Water Rights Fund	(3058)		
Elec. Waste Recovery and Recycling Acct.	(3065)		
Cig. and Tobacco Prod. Compliance Fund	(3067)		
Federal Funds			
Other Funds			
Reimbursements	(0995)	\$3,952	\$4,712
Net Total Augmentation (Source of Funds)		\$11,292	\$13,462

**DETAIL OF STAFF BENEFITS
AND PERSONAL SERVICES**

Staff Benefits Detail:	CY	BY	BY + 1
	<i>(Whole Dollars)</i>		
OASDI		\$482,868	\$649,332
Health Insurance		750,421	1,009,121
Retirement		1,072,851	1,442,705
Workers' Compensation		2,575	3,463
Industrial Disability Leave		4,513	6,069
Non-Industrial Disability Leave		3,263	4,388
Unemployment Insurance		966	1,299
Other		16,645	22,383
TOTAL		\$2,334,102	\$3,138,760

Classification	Positions			Salary Range	Amount		
	CY	BY	BY + 1		CY	BY	BY + 1
Executive Department:							
Technology Services Division:							
Staff Information Systems Analyst (Spec.) _b/		1.0	1.0	\$68,040		\$68,040	\$68,040
Associate Info. Systems Analyst (Spec.) _b/		1.0	1.0	62,052		62,052	62,052
Internal Security and Audit Division:							
Business Taxes Specialist II _b/		1.0	1.0	74,880		74,880	74,880
Office Technician (G) _b/		0.5	0.5	33,756		16,878	16,878
Administration Department:							
Accounting Department:							
Accounting Trainee _b/		1.5	1.5	41,448		62,172	62,172
Human Resources Division:							
Associate Personnel Analyst _b/		1.0	1.0	56,292		56,292	56,292
Personnel Specialist _b/		1.0	1.0	34,740		34,740	34,740
Administrative Support Division:							
Associate Business Management Analyst _b/		1.0	1.0	56,292		56,292	56,292
Associate Govt. Program Analyst _b/		2.0	2.0	56,292		112,584	112,584
Associate Info. Systems Analyst (Spec.) _b/		1.0	1.0	62,052		62,052	62,052
Legal Department:							
Investigations Division:							
Associate Tax Auditor _b/		1.0	1.0	62,052		62,052	62,052
Business Taxes Administrator II _b/		2.0	2.0	74,772		149,544	149,544
Business Taxes Specialist I (IRIS) _b/		1.0	1.0	71,580		71,580	71,580
Business Taxes Specialist I (Investigators) _c/		8.5	23.0	71,580		608,430	1,646,340
Tax Technician III _b/		2.0	2.0	37,752		75,504	75,504

Classification	Positions			Salary Range ^a	Amount		
	CY	BY	BY + 1		CY	BY	BY + 1
Tax and Fees Programs Division:							
Tax Counsel III _b/		1.0	1.0	101,628		101,628	101,628
Communications Office:							
Assistant Tax Service Specialist _b/		2.0	2.0	59,100		118,200	118,200
Sales and Use Tax Department:							
Associate Tax Auditor _d/		10.8	16.0	62,052		670,162	992,832
Business Taxes Administrator I _b/		7.0	7.0	64,944		454,608	454,608
Business Taxes Compliance Specialist _e/		42.0	56.0	59,100		2,482,200	3,309,600
Business Taxes Specialist I _b/		9.0	9.0	71,580		644,220	644,220
Office Technician (Typing) _b/		7.0	7.0	34,368		240,576	240,576
Staff Info. Systems Analyst (Spec.) _b/		1.0	1.0	68,040		68,040	68,040
Supervising Tax Auditor I _f/		1.4	2.0	64,944		90,922	129,888
Tax Technician III _g/		5.3	7.0	37,752		200,086	264,264
Blanket Funds							
Overtime (Various)							
Temporary Help							
TOTAL SALARIES AND WAGES		<u>112.0</u>	<u>148.0</u>			<u>\$6,643,734</u>	<u>\$8,934,858</u>

_a/ The salary is the mid-step of the salary range for the stated classification.

_b/ Three-year limited-term positions effective July 1, 2008 through June 30, 2011.

_c/ 4.0 three-year limited-term positions effective July 1, 2008 through June 30, 2011, 9.0 three-year limited-term positions effective January 1, 2009 through June 30, 2011 and 10.0 two-year limited-term positions effective July 1, 2009 through June 30, 2011.

_d/ 7.0 three-year limited-term positions effective July 1, 2008 through June 30, 2011 and 9.0 three-year limited-term positions effective February 1, 2009 through June 30, 2011.

_e/ 32.0 three-year limited-term positions effective July 1, 2008 through June 30, 2011 and 24.0 three-year limited-term positions effective February 1, 2009 through June 30, 2011.

_f/ 1.0 three-year limited-term position effective July 1, 2008 through June 30, 2011 and 1.0 three-year limited-term position effective February 1, 2009 through June 30, 2011.

_f/ 4.0 three-year limited-term positions effective July 1, 2008 through June 30, 2011 and 3.0 three-year limited-term positions effective February 1, 2009 through June 30, 2011.

SUPPLEMENTAL INFORMATION
 Dollars in Thousands

	<u>Current Year</u>	<u>Budget Year</u>	<u>Budget Year + One</u>
Proposed Equipment:			
Total			
Proposed Contracts:			
Total			
One-Time Costs:			
General Expense		\$1,120	\$110
Communications		37	8
Training			3
Facilities Operations		76	
Data Processing		64	6
Total		<u>\$1,297</u>	<u>\$127</u>
Future Savings:			
N/A			
Total			
Full-Year Cost Adjustments:			
N/A			
Total			