

## Fiscal Year 2009-10

## TITLE OF PROPOSAL

Natural Gas Public Purpose Programs Surcharge (PPPS)

## DIVISION PRIORITY NUMBER

## PROGRAM IMPACTED

Natural Gas Surcharge Program

## SUMMARY OF REQUEST (including impact if request denied)

This proposal requests funding for the Excise Taxes Division (ETD) to establish and permanently fund 1.0 Business Taxes Specialist I (BTS I) and 1.0 Tax Technician III (TT III) positions. The Board currently receives a direct appropriation for purposes of administering the Natural Gas Surcharge Program but no positions have been established to perform the work. The 1.0 BTS I position would perform audits of program registrants and the identification of consumers (primarily non-utility company resellers of natural gas) who must register with the Board of Equalization (BOE) to pay the surcharge directly. The 1.0 TT III position's workload would consist of registration, return processing, refunds, delinquencies and collections. The Board began administering the tax program in fiscal year (FY) 2000-01 when Assembly Bill (AB) 1002 was signed into law. A conservative estimated revenue increase of 1% based on FY 2006-07 revenue would result in \$4.4 million additional revenues and represent a 28.6:1 benefit-to-cost ratio.

## BACKGROUND/HISTORY

The Natural Gas Surcharge Law, Article 10 (commencing with section 890) of Chapter 4 of Part 1 of Division 1 of the Public Utilities Code, imposes a surcharge on all natural gas consumed in this state for the funding of public purpose programs. Public purpose programs fund low-income rate assistance, weatherization, energy efficiency, conservation and public interest research programs. The ETD is responsible for the collection of surcharges collected by public utility gas corporations, as defined in subdivision (b) of section 891, and from consumers who purchase natural gas from interstate pipelines, as defined in subdivision (c) of section 891. This request would establish ETD audit and outreach efforts required by the enabling legislation in support of these worthwhile public purpose programs. The program has generated significant, yet unaudited revenues of approximately \$440.4 million in FY 2006-07.

## STATE LEVEL CONSIDERATIONS (including impact to other departments)

This proposal would establish positions for use in program specific activities of auditing program registrants, identification, education and registration of consumers of natural gas and return processing. The current appropriation would continue to be utilized by other work areas that dedicate staffing resources to perform program related tasks. This proposal requests a conservative increase in the funding that the BOE currently receives to administer the program to establish positions to address program workloads in the ETD that are not being performed through redirection of staff. As stated, the BOE is required to identify and register consumers of natural gas and perform audit functions under the program; however, because of the current funding structure the ETD has not received staffing resources to address this mandated workload and the minimal workload that is being performed can no longer be absorbed with existing staff.

## JUSTIFICATION (including link to Strategic Plan)

This proposal is consistent with the BOE's Strategic Plan. Specifically, this proposal conforms to:

Part II, Strategic Focus, Core Values - Efficiency: To achieve program objectives at the lowest possible cost.

Part III, Goals and Objectives, Maximize Voluntary Compliance in BOE's Programs, #2: Develop creative tools and marketing and outreach programs to educate California's diverse taxpayer base and provide them with the information and materials they need to comply with their legal responsibilities.

## COSTS AND BENEFITS (BUDGET YEAR ONLY – FISCAL YEAR 2009-10)

New funding       Continuation       Redirection

COST	REVENUE (if applicable)
\$ 185,000	\$ 4,400,000
POSITIONS (if applicable)	COST SAVINGS (if applicable)
2.0	\$ 0

## PREPARED AND APPROVED

PREPARED BY Excise Taxes Division	DIVISION CHIEF APPROVAL
AUTHOR'S TELEPHONE NUMBER (916) 322-2768	DATE

## ACTION

<input type="checkbox"/> Concept Approved <input type="checkbox"/> Request Denied	EXECUTIVE DIRECTOR (signature)
	